

INSTRUCTION SHEET

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TRANSCRIPT OF PROCEEDINGS
RELATING TO
\$10,000,000
CITY OF HELOTES, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION,
SERIES 2007

DELIVERY DATE: APRIL 4, 2007

FULBRIGHT & JAWORSKI L.L.P.
300 CONVENT, SUITE 2200
SAN ANTONIO, TEXAS 78205

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\$10,000,000
City of Helotes, Texas
Combination Tax and Limited Pledge Revenue
Certificates of Obligation, Series 2007

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Receipt

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CERTIFICATE OF CITY SECRETARY

THE STATE OF TEXAS

§
§
§
§
§

COUNTY OF BEXAR

CITY OF HELOTES

THE UNDERSIGNED HEREBY CERTIFIES that:

1. On the 8th day of March, 2007, the City Council (the *Council*) of the City of Helotes, Texas (the *City*) convened in regular session at its regular meeting place in the City Hall (the *Meeting*), the duly constituted members of the Council being as follows:

Jon Allan	Mayor
Linda Boyer-Owens	Mayor Pro Tem, Place 3
Guillermo Contreras	Councilmember, Place 1
Alina Matutes-Eckhardt	Councilmember, Place 2
Joe "JB" Richeson	Councilmember, Place 4
Stuart Birnbaum	Councilmember, Place 5

and all of such persons were present at the Meeting, except the following: Eckhardt, thus constituting a quorum. Among other business considered at the Meeting, the attached ordinance (the *Ordinance*) entitled:

AN ORDINANCE AUTHORIZING THE ISSUANCE OF "CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007"; PROVIDING FOR THE PAYMENT OF SAID CERTIFICATES BY THE LEVY OF AN AD VALOREM TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY AND FURTHER SECURING SAID CERTIFICATES BY A LIEN ON AND PLEDGE OF THE PLEDGED REVENUES OF THE SYSTEM; PROVIDING THE TERMS AND CONDITIONS OF SAID CERTIFICATES AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SAID CERTIFICATES; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND A PURCHASE AND INVESTMENT LETTER; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS WITH THE DEPOSITORY TRUST COMPANY; APPROVING AN INTERLOCAL COOPERATIVE AGREEMENT WITH THE CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION; AND PROVIDING AN EFFECTIVE DATE

was introduced and submitted to the Council for passage and adoption. After presentation and discussion of the Ordinance, a motion was made by Councilmember Birnbaum that the

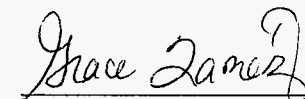
Ordinance be finally passed and adopted. The motion was seconded by Councilmember Richeson and carried by the following vote:

4 voted "For" 0 voted "Against" 0 abstained

all as shown in the official Minutes of the Council for the Meeting.

2. The attached Ordinance is a true and correct copy of the original on file in the official records of the City; the duly qualified and acting members of the Council of the City on the date of the Meeting are those persons shown above, and, according to the records of my office, each member of the Council was given actual notice of the time, place, and purpose of the Meeting and had actual notice that the Ordinance would be considered; and the Meeting and deliberation of the aforesaid public business, including the subject of the Ordinance, was posted and given in advance thereof in compliance with the provisions of Chapter 551, as amended, Texas Government Code.

IN WITNESS WHEREOF, I have signed my name officially and affixed the seal of the City, this 8th day of March, 2007.



City Secretary,
City of Helotes, Texas

(CITY SEAL)

ORDINANCE NO. 333

AN ORDINANCE AUTHORIZING THE ISSUANCE OF "CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007"; PROVIDING FOR THE PAYMENT OF SAID CERTIFICATES BY THE LEVY OF AN AD VALOREM TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY AND FURTHER SECURING SAID CERTIFICATES BY A LIEN ON AND PLEDGE OF THE PLEDGED REVENUES OF THE SYSTEM; PROVIDING THE TERMS AND CONDITIONS OF SAID CERTIFICATES AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SAID CERTIFICATES; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND A PURCHASE AND INVESTMENT LETTER; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS WITH THE DEPOSITORY TRUST COMPANY; APPROVING AN INTERLOCAL COOPERATIVE AGREEMENT WITH THE CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Council of the City of Helotes, Texas (the *City*) has caused notice to be given of its intention to issue certificates of obligation in the maximum principal amount of \$10,000,000 for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) renovation of the existing police facility for municipal complex purposes and constructing additional public safety improvements, including construction of a new fire station and a new police station, (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes relating to the construction, acquisition and renovation of the Old Town Helotes area, the public safety facility, the police station and fire station, and (4) the payment of professional services related to the construction and financing of the aforementioned projects. This notice has been duly published in a newspaper hereby found and determined to be of general circulation in the City, once a week for two (2) consecutive weeks, the date of the first publication of such notice being not less than fifteen (15) days prior to the tentative date stated therein for the passage of the ordinance authorizing the issuance of such certificates of obligation; and

WHEREAS, no petition protesting the issuance of the certificates of obligation described in this notice, signed by at least 5% of the qualified electors of the City, has been presented to or filed with the City Secretary prior to the date tentatively set in such notice for the passage of this ordinance; and

WHEREAS, the City Council hereby finds and determines that certificates of obligation in the principal amount of \$10,000,000 described in such notice should be issued and sold at this time; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HELOTES, TEXAS THAT:

SECTION 1. Authorization - Designation - Principal Amount - Purpose. The certificates of obligation of the City shall be and are hereby authorized to be issued in the aggregate principal amount of TEN MILLION AND NO/100 DOLLARS (\$10,000,000), to be designated and bear the title of "CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007" (the *Certificates*), for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) renovation of the existing police facility for municipal complex purposes and constructing additional public safety improvements, including construction of a new fire station and a new police station, (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes relating to the construction, acquisition and renovation of the Old Town Helotes area, the public safety facility, the police station and fire station, and (4) the payment of professional services related to the construction and financing of the aforementioned projects, pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly Section 363.135, as amended, Texas Health and Safety Code and the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Section 271.041 through Section 271.065.

SECTION 2. Fully Registered Obligations - Authorized Denominations - Stated Maturities - Interest Rates - Certificate Date. The Certificates are issuable in fully registered form only; shall be dated March 1, 2007 (the *Certificate Date*) and shall generally be in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, and the Certificates shall become due and payable on February 1 in each of the years and in principal amounts (the *Stated Maturities*) and bear interest on the unpaid principal amounts from the Closing Date, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to Stated Maturity, at the per annum rates, while Outstanding, in accordance with the following schedule:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
2008	180,000	3.93
2009	350,000	3.93
2010	360,000	3.93
2011	375,000	3.93
2012	390,000	3.93
2013	410,000	3.93

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
2014	425,000	3.93
2015	445,000	3.93
2016	465,000	3.93
2017	485,000	3.93
2018	500,000	3.93
2019	525,000	3.93
2020	550,000	3.93
2021	570,000	3.93
2022	595,000	3.93
2023	620,000	3.93
2024	645,000	3.93
2025	675,000	3.93
2026	700,000	3.93
2027	735,000	3.93

SECTION 3. Payment of Certificates - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Certificates, due and payable by reason of Stated Maturity or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of and interest on the Certificates shall be without exchange or collection charges to the Holder (as hereinafter defined) of the Certificates.

The Certificates shall bear interest at the per annum rates shown above in Section 2, computed on the basis of a 360-day year of twelve 30-day months, and interest thereon shall be payable on February 1 and August 1 of each year (the *Interest Payment Date*) commencing February 1, 2008, while the Certificates are Outstanding.

The selection and appointment of JPMorgan Chase Bank, N.A., San Antonio, Texas, to serve as the initial Paying Agent/Registrar for the Certificates is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the corporate trust or other office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment and transfer of the Certificates, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and City may prescribe. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Certificates are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The City reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or ordinance terminating such agency. Additionally, the City agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Certificates by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Both principal of, premium, if any, and interest on the Certificates, due and payable by reason of Stated Maturity or otherwise, shall be payable only to the registered owner of the Certificates appearing on the Security Register (the *Holder* or *Holders*) maintained on behalf of the City by the Paying Agent/Registrar as hereinafter provided (i) on the Record Date (hereinafter defined) for purposes of payment of interest thereon, and (ii) on the date of surrender of the Certificates for purposes of receiving payment of principal thereof at the Certificates' Stated Maturity. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Certificate for purposes of receiving payment and all other purposes whatsoever, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of and premium, if any, on the Certificates shall be payable only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its corporate trust or other office. Interest on the Certificates shall be paid to the Holder whose name appears in the Security Register at the close of business on the fifteenth day of the month next preceding an Interest Payment Date for the Certificates (the *Record Date*) and shall be paid (i) by check sent by United States mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Holder appearing in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder's risk and expense.

If the date for the payment of the principal of, premium, if any, or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust or other office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Certificates was due.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder of a Certificate appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4. Redemption. The Certificates are not subject to redemption prior to Stated Maturity.

SECTION 5. Execution - Registration. The Certificates shall be executed on behalf of the City by its Mayor under the seal of the City reproduced or impressed thereon and attested by its City Secretary. The signature of either of said officers on the Certificates may be manual or facsimile. Certificates bearing the manual or facsimile signatures of individuals who were, at the time of the Certificate Date, the proper officers of the City shall bind the City, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Certificates to the Purchasers (hereinafter defined), all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Certificate shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Certificate either a certificate of registration substantially in the form provided in Section 8C, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly certified or registered and delivered.

SECTION 6. Registration - Transfer - Exchange of Certificates - Predecessor Certificates. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Certificates, or if appropriate, the nominee thereof. Any Certificate may, in accordance with its terms and the terms hereof, be transferred or exchanged for Certificates of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Certificate to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Certificate at the corporate trust or other office of the Paying Agent/Registrar, the City shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates of authorized denomination and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Certificate or Certificates surrendered for transfer.

At the option of the Holder, Certificates may be exchanged for other Certificates of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Certificates surrendered for exchange upon surrender of the Certificates to be exchanged at the corporate trust or other office of the Paying Agent/Registrar. Whenever any Certificates are so surrendered for exchange, the City shall execute, and the Paying Agent/Registrar shall register and deliver, the Certificates to the Holder requesting the exchange.

All Certificates issued upon any transfer or exchange of Certificates shall be delivered at the corporate trust or other office of the Paying Agent/Registrar, or be sent by registered mail to the Holder at his request, risk, and expense, and upon the delivery thereof, the same shall be the valid and binding obligations of the City, evidencing the same obligation to pay, and entitled to

the same benefits under this Ordinance, as the Certificates surrendered upon such transfer or exchange.

All transfers or exchanges of Certificates pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Certificates canceled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be Predecessor Certificates, evidencing all or a portion, as the case may be, of the same debt evidenced by the new Certificate or Certificates registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Certificates shall include any Certificate registered and delivered pursuant to Section 25 in lieu of a mutilated, lost, destroyed, or stolen Certificate which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Certificate.

SECTION 7. Initial Certificate(s). The Certificates herein authorized shall be issued initially either (i) as a single fully registered certificate in the total principal amount of \$10,000,000 with principal installments to become due and payable as provided in Section 2 and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of Stated Maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (the *Initial Certificate(s)*) and, in either case, the Initial Certificate(s) shall be registered in the name of the Purchasers or the designee thereof. The Initial Certificate(s) shall be the Certificates submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Purchasers (defined herein). Any time after the delivery of the Initial Certificate(s), the Paying Agent/Registrar shall cancel the Initial Certificate(s) delivered hereunder and exchange therefor definitive Certificates of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 8. Forms.

A. Forms Generally. The Certificates, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of the Paying Agent/Registrar, and the form of Assignment to be printed on each of the Certificates shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including insurance legends in the event the Certificates, or any Stated Maturities thereof, are insured and identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as may, consistent herewith, be established by the City or determined by the officers executing the Certificates as evidenced by their execution thereof. Any portion of the

text of any Certificate may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Certificate.

The definitive Certificates shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Certificates as evidenced by their execution thereof, but the Initial Certificate(s) submitted to the Attorney General of Texas may be typewritten or photocopied or otherwise reproduced.

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B. Form of Definitive Certificate.

REGISTERED
NO. _____

REGISTERED
PRINCIPAL AMOUNT
\$ _____

United States of America
State of Texas
County of Bexar
CITY OF HELOTES, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATE OF OBLIGATION, SERIES 2007

Certificate Date: Interest Rate: Stated Maturity: CUSIP No.
March 1, 2007

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

The City of Helotes, Texas (the *City*), a body corporate and municipal corporation in the County of Bexar, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above and to pay interest on the unpaid Principal Amount hereof from the Closing Date, or from the most recent interest payment date to which interest has been paid or duly provided for until such Principal Amount has become due and payment thereof has been made or duly provided for, to Stated Maturity, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year commencing February 1, 2008.

Principal and premium, if any, on this Certificate shall be payable to the Registered Owner hereof (the *Holder*), upon presentation and surrender (provided, however, with respect to principal payments prior to the final Stated Maturity, the Certificates need not be surrendered to the Paying Agent/Registrar, who will merely document this payment on an internal ledger maintained by the Paying Agent/Registrar, at the corporate trust or other office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each interest payment date. All payments of principal of and interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder

hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder's risk and expense.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of \$10,000,000 (the *Certificates*) pursuant to an Ordinance adopted by the governing body of the City (the *Ordinance*), for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) renovation of the existing police facility for municipal complex purposes and constructing additional public safety improvements, including construction of a new fire station and a new police station, (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes relating to the construction, acquisition and renovation of the Old Town Helotes area, the public safety facility, the police station and fire station, and (4) the payment of professional services related to the construction and financing of the aforementioned projects, under and in strict conformity with the laws of the State of Texas, particularly Section 363.135, as amended, Texas Health and Safety Code and the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.065.

As provided in the Ordinance, the Certificates are not subject to redemption prior to Stated Maturity.

The Certificates of this series are payable from the proceeds of an ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues (identified and defined in the Ordinance) derived from the operation of the City's solid waste management system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinance authorizing the issuance of the Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Reference is hereby made to the Ordinance, copies of which are on file in the corporate trust or other office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied and the revenues pledged for the payment of the Certificates; the terms and conditions under which the City may issue Prior Lien Obligations,

Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations; the terms and conditions relating to the transfer or exchange of the Certificates; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holder; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which this Certificate may be discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Ordinance. Capitalized terms used herein have the same meanings assigned in the Ordinance.

This Certificate, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register upon presentation and surrender at the corporate trust or other office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder hereof whose name appears on the Security Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity, and (iii) on any other date as the owner hereof for all other purposes, and neither the City nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to the contrary. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a Special Record Date) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Certificate in order to render the same a legal, valid, and binding obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Certificates does not exceed any constitutional or statutory limitation. In case any provision in this Certificate or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the City has caused this Certificate to be duly executed under its official seal.

CITY OF HELOTES, TEXAS

By _____
Mayor

ATTEST:

City Secretary

(CITY SEAL)

C. *Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Certificate(s) Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF §
PUBLIC ACCOUNTS §
THE STATE OF TEXAS § REGISTER NO. _____
§

I HEREBY CERTIFY that this Certificate has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____

Comptroller of Public Accounts
of the State of Texas

(SEAL)

*NOTE TO PRINTER: Not to appear on printed Certificates.

D. Form of Certificate of Paying Agent/Registrar to Appear on Definitive Certificates Only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Certificate has been duly issued and registered under the provisions of the within-mentioned Ordinance; the Certificate or Certificates of the above-entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

Registered this date:

JPMORGAN CHASE BANK, N.A.
as Paying Agent/Registrar

By: _____
Authorized Signature

*NOTE TO PRINTER: Print on Definitive Certificates.

E. Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto
(Print or typewrite name, address, and zip code of transferee): _____

(Social Security or other identifying number): _____
the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints
_____ attorney to transfer the within Certificate on the books kept for
registration thereof, with full power of substitution in the premises.

DATED: _____

NOTICE: The signature on this assignment must
correspond with the name of the registered owner as it
appears on the face of the within Certificate in every
particular.

Signature guaranteed:

F. The Initial Certificate(s) shall be in the form set forth in paragraph B of this
Section, except that the form of a single fully registered Initial Certificate shall be modified as
follows:

- (i) immediately under the name of the Certificate(s) the headings "Interest Rate and
"Stated Maturity shall both be completed "as shown below";
- (ii) the first two paragraphs shall read as follows:

Registered Owner: _____

Principal Amount: _____

The City of Helotes, Texas (the *City*), a body corporate and municipal corporation in the
County of Bexar, State of Texas, for value received, acknowledges itself indebted to and hereby
promises to pay to the order of the Registered Owner named above, or the registered assigns
thereof, the Principal Amount specified above stated to mature on the first day of February in
each of the years and in principal amounts and bearing interest at per annum rates in accordance
with the following schedule:

Years of
Stated Maturity

Principal
Amounts (\$)

Interest
Rates (%)

(Information to be inserted
from schedule in Section 2 hereof)

and to pay interest on the unpaid Principal Amounts hereof from the Closing Date (being April 4, 2007), or from the most recent interest payment date to which interest has been paid or duly provided for, to Stated Maturity, at the per annum rates of interest specified above, computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year, commencing February 1, 2008.

Principal of this Certificate shall be payable to the Registered Owner hereof (the *Holder*), upon its presentation and surrender, at the corporate trust or other office of JPMorgan Chase Bank, N.A., San Antonio, Texas (the *Paying Agent/Registrar*). Interest shall be payable to the Holder of this Certificate whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each interest payment date. All payments of principal of and interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof.

G. Insurance Legend. If bond insurance is obtained by the City or the Purchasers for the Certificates, the Definitive Certificates and the Initial Certificate(s) shall bear an appropriate legend as provided by the insurer.

SECTION 9. Definitions. For all purposes of this Ordinance (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 27 and 44 of this Ordinance have the meanings assigned to them in Sections 27 and 44 of this Ordinance, and all such terms, include the plural as well as the singular; (ii) all references in this Ordinance to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted; and (iii) the words "herein", "hereof", and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

A. The term *Additional Limited Pledge Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or other evidences of indebtedness hereafter issued by the City payable wholly or in part from a pledge of and lien on Net Revenues of the System which pledge of revenues is limited pursuant to Section 1502.052, as amended, Texas Government Code, all as further provided in Section 20 of this Ordinance, and (ii) any obligations issued to refund the foregoing as determined by the City Council in accordance with any applicable law.

B. The term *Authorized Officials* shall mean the Mayor, City Secretary, and/or the City Administrator.

C. The term *Certificates* shall mean the \$10,000,000 "CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007" authorized by this Ordinance.

D. The term *Certificate Fund* shall mean the special Fund created and established by the provisions of Section 10 of this Ordinance.

E. The term *City* shall mean the City of Helotes, located in Bexar County, Texas and, where appropriate, the City Council of the City.

F. The term *Closing Date* shall mean the date of physical delivery of the Initial Certificate(s) in exchange for the payment of the agreed purchase price for the Certificates.

G. The term *Collection Date* shall mean, when reference is being made to the levy and collection of annual ad valorem taxes, the date the annual ad valorem taxes levied each year by the City become delinquent.

H. The term *Debt Service Requirement* shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest at the maximum rate permitted by the terms thereof and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

I. The term *Depository* shall mean an official depository bank of the City.

J. The term *Fiscal Year* shall mean the annual financial accounting period for the System now ending on September 30th of each year; provided, however, the City Council may change such annual financial accounting period to end on another date if such change is found and determined to be necessary for accounting purposes or is required by applicable law.

K. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated

as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

L. The term *Gross Revenues* shall mean all income and revenues received by the City by virtue of its ownership and operation of the System, including, but not limited to, its rentals, fees, and other revenues resulting from the ownership of the System, including rentals received from leasing all or part of the System. However, it is expressly recognized that any such lease must comply with the requirements of the Code and existing regulations, published rulings, and court decisions.

M. The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Certificate.

N. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Certificates, being February 1 and August 1 of each year, commencing February 1, 2008, while any of the Certificates remain Outstanding.

O. The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, all as further provided in Section 20 of this Ordinance, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with any applicable law.

P. The term *Limited Pledge Obligations* shall mean (i) the Certificates and the currently outstanding and unpaid certificates of obligation payable from ad valorem taxes and additionally payable from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System and designated as follows:

(1) "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002," dated August 1, 2002, in the original principal amount of \$1,500,000,

and (ii) obligations hereafter issued to refund any of the foregoing as determined by the City Council in accordance with any applicable law.

Q. The term *Maintenance and Operating Expenses* shall mean the expenses of operation and maintenance, including all salaries, labor, materials, repairs and extensions necessary to maintain and operate the System; provided, however, that only such repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical action or condition which would otherwise impair the security of any bonds or other obligations payable from and secured, in whole or in part, by a lien on the Net Revenues derived from the ownership and operation of the System shall be deducted in determining Net Revenues.

R. The term *Net Revenues* for any period shall mean the Gross Revenues of the System less the Maintenance and Operating Expenses of the System.

S. The term *Ordinance* shall mean this ordinance as finally passed and adopted by the City Council of the City.

T. The term *Outstanding* when used in this Ordinance with respect to Certificates shall mean, as of the date of determination, all Certificates issued and delivered under this Ordinance, except:

(1) those Certificates canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Certificates for which payment has been duly provided by the City in accordance with the provisions of Section 29 of this Ordinance; and

(3) those Certificates that have been mutilated, destroyed, lost, or stolen and replacement Certificates have been registered and delivered in lieu thereof as provided in Section 25 of this Ordinance.

U. The term *Pledged Revenues* shall mean, while the Certificates remain Outstanding, an amount of Net Revenues not in excess of \$1,000. The Pledged Revenues shall be deposited, allocated, and expended in accordance with Section 10 of this Ordinance.

V. The term *Pledged Revenue Amount* shall mean the total amount, not to exceed \$1,000 while the Certificates are Outstanding, of Net Revenues that may be transferred in whole or in part by the City in any given Fiscal Year (however, any amounts transferred prior to the final maturity date of the Certificates may not exceed the total amount of \$1,000) to the Certificate Fund.

W. The term *Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System, all as further provided in Section 20 of this Ordinance, and (ii) any obligations issued to refund the foregoing that are payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System as determined by the City Council in accordance with any applicable law.

X. The term *Purchasers* shall mean the initial purchaser or purchasers of the Certificates named in Section 26 of this Ordinance.

Y. The term *Stated Maturity* shall mean the annual principal payments of the Certificates payable on February 1 of each year the Certificates are Outstanding as set forth in Section 2 of this Ordinance.

Z. The term *Subordinate Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation, or any similar obligations hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net

Revenues of the System, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues of the System that are or may be pledged to the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the limited amount of the Net Revenues securing the payment of the currently outstanding Limited Pledge Obligations, the Certificates, or any Additional Limited Pledge Obligations hereafter issued by the City, all as further provided in Section 20 of this Ordinance and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with any applicable law.

AA. The term *System* shall mean a plant, composting process plant, incinerator, sanitary landfill, transfer station, or other works and equipment that is acquired, installed, or operated to collect, handle, store, process, recover material or energy from, or dispose of solid waste, and includes sites for those works and equipment.

SECTION 10. Certificate Fund - Investments. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption, and retirement of the Certificates, there shall be and is hereby created a special fund to be designated "COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007, INTEREST AND SINKING FUND" (the *Certificate Fund*), which Fund shall be kept and maintained at the Depository, and money deposited in such Fund shall be used for no other purpose and shall be maintained as provided in Section 27. Authorized Officials of the City are hereby authorized and directed to make withdrawals from the Certificate Fund sufficient to pay the principal of, premium (if any), and interest on the Certificates as the same become due and payable and shall cause to be transferred to the Paying Agent/Registrar from money on deposit in the Certificate Fund an amount sufficient to pay the amount of principal and/or interest falling due on the Certificates, such transfer of funds to the Paying Agent/Registrar to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar on or before the last business day next preceding each interest and principal payment date for the Certificates.

The City, at its sole discretion, may deposit the Pledged Revenue Amount to the Certificate Fund. The Pledged Revenue Amount, if deposited, shall be expended annually to pay principal of and interest on the Certificates as the same become due and payable. This Pledged Revenue Amount shall be accounted for and transferred to the Paying Agent/Registrar in accordance with the provisions of the previous paragraph of this Section.

Pending the transfer of funds to the Paying Agent/Registrar, money in any fund or account described in this Ordinance may, at the option of the City, be placed in time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or be invested, as authorized by any law, including investments held in book-entry form, in securities, including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect

obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from such fund will be available at the proper time or times. All interest and income derived from deposits and investments in any fund established pursuant to the provisions of this Ordinance shall be credited to, and any losses debited to, such fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Certificates.

SECTION 11. Tax Levy. To provide for the payment of the Debt Service Requirements on the Certificates being (i) the interest on the Certificates and (ii) a sinking fund for their redemption at Stated Maturity or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied for the current year and each succeeding year thereafter while the Certificates or any interest thereon shall remain Outstanding, a sufficient tax, within the limitations prescribed by law, on each one hundred dollars valuation of taxable property in the City, adequate to pay such Debt Service Requirements, full allowance being made for delinquencies and costs of collection; said tax shall be assessed and collected each year and applied to the payment of the Debt Service Requirements, and the same shall not be diverted to any other purpose. The taxes so levied and collected shall be paid into the Certificate Fund and are thereafter pledged to the payment of the Certificates. The City Council hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay such Debt Service Requirements, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness and other obligations of the City.

The amount of taxes to be provided annually for the payment of the principal of and interest on the Certificates shall be determined and accomplished in the following manner:

A. Prior to the date the City Council establishes the annual tax rate and passes an ordinance levying ad valorem taxes each year, the City Council shall determine:

(1) the amount of Debt Service Requirements to become due and payable on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year;

(2) the amount on deposit in the Certificate Fund after (a) deducting therefrom the total amount of Debt Service Requirements to become due on Certificates prior to the Collection Date for the ad valorem taxes to be levied and (b) adding thereto the amount of the Pledged Revenues, if any, to be appropriated and allocated during such year to pay such Debt Service Requirements, if any, prior to the Collection Date for the ad valorem taxes to be levied; and

(3) the amount of Pledged Revenues, if any, to be appropriated and to be set aside for the payment of the Debt Service Requirements on the Certificates between the

Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding Fiscal Year.

B. The amount of taxes to be levied annually each year to pay the Debt Service Requirements on the Certificates shall be the amount established in paragraph (1) above less the sum total of the amounts established in paragraphs (2) and (3), after taking into consideration delinquencies and costs of collecting such annual taxes.

SECTION 12. Pledge of Revenues. The City hereby covenants and agrees that, subject to (i) any prior lien on and pledge of the Net Revenues of the System to the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City and (ii) the lien and pledge of a limited amount of the Net Revenues to the payment and security of the currently outstanding Limited Pledge Obligations, the Pledged Revenues are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates and the pledge of Pledged Revenues herein made for the payment of the Certificates shall constitute a lien on the Pledged Revenues in accordance with the terms and provisions hereof and be valid and binding without any physical delivery thereof or further act by the City.

SECTION 13. System Fund. The City hereby covenants and agrees that all Gross Revenues derived from the operation of the System shall be kept separate and apart from all other funds, accounts and money of the City and shall be deposited as collected into the "CITY OF HELOTES, TEXAS SOLID WASTE MANAGEMENT SYSTEM FUND" (the *System Fund*). All money deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown:

- First: to the payment of the reasonable and proper Maintenance and Operating Expenses of the System required by statute or ordinances authorizing the issuance of any indebtedness of the City to be a first charge on and claim against the Gross Revenues of the System;
- Second: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Prior Lien Obligations hereafter issued by the City;
- Third: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Junior Lien Obligations hereafter issued by the City;
- Fourth: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Subordinate Lien Obligations hereafter issued by the City; and
- Fifth: To the payment of the amounts that may be deposited in the special funds and accounts established for the payment of the currently outstanding Limited Pledge Obligations, the Certificates, and any Additional Limited Pledge Obligations hereafter issued by the City.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment, security and benefit thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

SECTION 14. Deposits to Certificate Fund - Surplus Certificate Proceeds. The City hereby covenants and agrees to cause to be deposited in the Certificate Fund prior to a principal and interest payment date for the Certificates, from the Pledged Revenues in the System Fund, after the deduction of all payments required to be made to the special funds or accounts created for the payment, security, and benefit of (i) any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City and (ii) the currently outstanding Limited Pledge Obligations, any amounts budgeted to be paid therefrom in such Fiscal Year.

Accrued interest, if any, received from the Purchasers of the Certificates shall be deposited to the Certificate Fund and ad valorem taxes levied and collected for the benefit of the Certificates shall be deposited to the Certificate Fund. In addition, any surplus proceeds, including investment income therefrom, from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said Fund from ad valorem taxes.

SECTION 15. Security of Funds. All money on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

SECTION 16. Maintenance of System - Insurance. The City covenants and agrees that while the Certificates remain Outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance (including a system of self-insurance) on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, are held for the benefit of the holders of the Certificates until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

SECTION 17. Rates and Charges. The City hereby covenants and agrees with the Holders of the Certificates that rates and charges for utility services afforded by the System will be established and maintained to provide Gross Revenues sufficient at all times:

A. to pay all operating, maintenance, replacement, betterment, and other costs incurred in the maintenance and operation of the System, including, but not limited to, Maintenance and Operating Expenses provided, however, that the City expressly reserves the right to utilize other lawfully available funds to pay the Maintenance and Operating Expenses;

B. to produce Net Revenues sufficient, together with any other lawfully available funds, to pay (i) the interest on and principal of any Prior Lien Obligations as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof; (ii) the interest on and principal of any Junior Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof; (iii) the interest on and principal of any Subordinate Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, and (iv) the amounts that may be deposited in the special funds established for the payment of the currently outstanding Limited Pledge Obligations, the Certificates, or any Additional Limited Pledge Obligations hereafter issued by the City; and

C. to pay other legally incurred indebtedness payable from the Net Revenues of the System and/or secured by a lien on the System or the Net Revenues thereof.

SECTION 18. Records and Accounts - Annual Audit. The City further covenants and agrees that so long as any of the Certificates remain Outstanding it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 363, as amended, Texas Health and Safety Code, or other applicable law. The Holders of the Certificates or any duly authorized agent or agents of the Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that, following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, and, upon written request, to the Purchasers of the Certificates and any subsequent holder thereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 19. Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Certificate Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Holders of any of the Certificates shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition, or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as

often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

SECTION 20. Issuance of Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations. The City hereby expressly reserves the right to hereafter issue bonds, notes, warrants, certificates of obligation, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a pledge of and lien on the Net Revenues of the System with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise:

A. Prior Lien Obligations payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System;

B. Junior Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is junior and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations, the Certificates, and any Subordinate Lien Obligations or Additional Limited Pledge Obligations hereafter issued by the City; and

C. Subordinate Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations, the Certificates, and any Additional Limited Pledge Obligations hereafter issued by the City; and

D. Additional Limited Pledge Obligations secured by a lien on and pledge of a limited amount of the Net Revenues in accordance with the provisions of the following paragraph.

Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations, if issued, may be payable, in whole or in part, from Net Revenues (without impairment of the obligation of contract with the Holders of the currently outstanding Limited Pledge Obligations or the Certificates) upon such terms and conditions as the City Council may determine. Additional Limited Pledge Obligations, if issued and payable, in whole or in part, from Pledged Revenues (defined in the same or similar terms as provided in Section 9 of this Ordinance or in the ordinances authorizing the issuance of the Limited Pledge Obligations), shall not in any event be construed to be payable from the Pledged Revenues authorized by this Ordinance or in the ordinances authorizing the issuance of the Limited Pledge Obligations to be budgeted and appropriated for the payment of the Certificates or the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations, as appropriate. However, the lien on and pledge of the limited amount of Net Revenues securing, in part, the payment of any Additional Limited Pledge Obligations shall be subordinate and inferior to the pledge of and lien on the Net

Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City.

SECTION 21. Special Covenants. The City hereby further covenants that:

A. it has the lawful power to pledge the Pledged Revenues supporting the Certificates and has lawfully exercised said powers under the laws of the State of Texas, including power existing under Chapter 363, as amended, Texas Health and Safety Code and the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through Section 271.065;

B. other than for the payment of the currently outstanding Limited Pledge Obligations and the Certificates, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System;

C. as long as any Certificates or any interest thereon remain Outstanding, the City will not sell, lease or encumber (except in the manner provided in Section 20 of this Ordinance) the System or any substantial part thereof, provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System.

SECTION 22. Application of the Covenants and Agreements of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations. It is the intention of the City Council and accordingly hereby recognized and stipulated that the provisions, agreements, and covenants contained herein bearing upon the management and operations of the System, and the administration and application of Gross Revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in the ordinances authorizing the issuance of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance, especially the priority of rights and benefits conferred thereby to the holders of the any Prior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations hereafter issued. It is expressly recognized that prior to the issuance of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations, the City must comply with each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations and the Certificates, as appropriate.

SECTION 23. Notices to Holders, Waiver. Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States mail, first-class postage prepaid, to the address of each Holder as it appears in the Security Register.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Ordinance provides for

notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 24. Cancellation. All Certificates surrendered for payment, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Certificates previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all Certificates so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled Certificates held by the Paying Agent/Registrar shall be destroyed as directed by the City.

SECTION 25. Mutilated, Destroyed, Lost, and Stolen Certificates. If (1) any mutilated Certificate is surrendered to the Paying Agent/Registrar, or the City and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Certificate, and (2) there is delivered to the City and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the City or the Paying Agent/Registrar that such Certificate has been acquired by a bona fide purchaser, the City shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Certificate, a new Certificate of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Certificate has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Certificate, pay such Certificate.

Upon the issuance of any new Certificate or payment in lieu thereof, under this Section, the City may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Certificate issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Certificate shall constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Certificates.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Certificates.

SECTION 26. Sale of the Certificates; Authorization of a Purchase and Investment Letter Approval; Use of Certificate Proceeds. The Certificates authorized by this Ordinance are hereby sold by the City to JPMorgan Chase Bank, N.A., San Antonio, Texas (the *Purchasers*, and having all the rights, benefits, and obligations of a Holder), in accordance with the provisions of the Purchase and Investment Letter, dated March 8, 2007 (the *Purchase Contract*), attached hereto as Exhibit B and incorporated hereby by reference as a part of this Ordinance for all purposes. The Initial Certificate shall be registered in the name of JPMorgan Chase Bank, N.A.. The Mayor is hereby authorized and directed to execute the Purchase Contract for and on behalf of the City and as the act and deed of the City Council, and in regard to the approval and execution of the Purchase Contract, the City Council hereby finds, determines and declares that the representations, warranties, and agreements of the City contained in the Purchase Contract are true and correct in all material respects and shall be honored by the City. Delivery of the Certificates to the Purchasers shall occur as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of the Purchase Contract.

Proceeds from the sale of the Certificates shall be applied as follows:

(1) Accrued interest, if any, received from the Purchasers shall be deposited into the Certificate Fund.

(2) The balance of the proceeds derived from the sale of the Certificates (excluding certain costs of issuance) shall be deposited into the special construction account or accounts created for the projects to be constructed with the proceeds of the Certificates. This special construction account shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 10 of this Ordinance. Interest earned on the proceeds of the Certificates pending completion of construction of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amounts shall be expended in accordance with Section 14 of this Ordinance.

SECTION 27. Covenants to Maintain Tax-Exempt Status.

A. Definitions. When used in this Section, the following terms have the following meanings:

“*Code*” means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

“*Computation Date*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“*Gross Proceeds*” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Certificates.

“*Investment*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Certificates are invested and which is not acquired to carry out the governmental purposes of the Certificates.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Certificates. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of

(1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(2) the Certificates has the meaning set forth in Section 1.148-4 of the Regulations.

B. Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Certificate to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Certificate, the City shall comply with each of the specific covenants in this Section.

C. No Private Use or Private Payments. Except to the extent that it will not cause the Certificates to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Certificates:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

D. No Private Loan. Except as would not cause the Certificates to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Certificates to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if- (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

E. Not to Invest at Higher Yield. Except as would not cause the Certificates to become "arbitrage bonds" within the meaning of section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Certificates directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Certificates.

F. Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Certificates to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

G. Information Report. The City shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

H. Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding Certificate is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Certificates with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Certificates by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall pay to the United States out of the Certificate Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Certificates equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

I. Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Certificates, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection H of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Certificates not been relevant to either party.

J. Certificates Not Hedge Bonds.

(1) The City reasonably expects to spend at least 85% of the spendable proceeds of the Certificates within three years after such Certificates are issued.

(2) Not more than 50% of the proceeds of the Certificates will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

K. Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Administrator, City Secretary, or City Attorney, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Certificates, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document. Such elections shall be deemed to be made on the Closing Date.

L. Qualified Tax-Exempt Obligations. The City hereby designates the Certificates as qualified tax-exempt obligations for purposes of section 265(b) of the Code. In furtherance of such designation, the City represents, covenants and warrants the following: (a) during the calendar year in which the Certificates are issued, the City (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Certificates, will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; (b) the City reasonably anticipates that the amount of tax-exempt obligations issued during the calendar year 2007 by the City (including any subordinate entities) will not exceed \$10,000,000; and the City will take such action or refrain from such action as is necessary in order that the Certificates will not be considered "private activity bonds" within the meaning of section 141 of the Code.

SECTION 28. Control and Custody of Certificates. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas and shall take and have charge and control of the Certificates pending their approval by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery of the Certificates to the Purchasers.

Furthermore, the Mayor, Mayor Pro Tem, City Administrator, City Secretary, or City Attorney, either or all, are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Certificates, the approval of the Attorney General and their registration by the Comptroller of Public Accounts and, together with the City's financial advisor, bond counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Certificate to the Purchasers and the initial exchange thereof for definitive Certificates.

SECTION 29. Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Certificates, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied and the lien on and pledge of the Pledged Revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Certificates, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Certificates or the principal amount(s) thereof at Stated Maturity, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature

as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Certificates, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof. The City covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Certificates to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 27 hereof).

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Certificates, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Certificates and remaining unclaimed for a period of three (3) years after the Stated Maturity of the Certificates, such money was deposited and is held in trust to pay shall upon the request of the City be remitted to the City against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

SECTION 30. Printed Opinion. The Purchasers' obligation to accept delivery of the Certificates is subject to their being furnished a final opinion of Fulbright & Jaworski L.L.P., as Bond Counsel, approving certain legal matters as to the Certificates, said opinion to be dated and delivered as of the date of initial delivery and payment for such Certificates. Printing of a true and correct copy of said opinion on the reverse side of each of said Certificates, with appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City is hereby approved and authorized.

SECTION 31. CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Certificates shall be of no significance or effect as regards the legality thereof, and neither the City nor bond counsel are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Certificates.

SECTION 32. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 33. Ordinance a Contract, Amendments - Outstanding Certificates. The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Certificates. This Ordinance shall constitute a contract with the Holders from time to time, binding on the City and its successors and assigns, and it shall not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Certificates then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the

consent of all Holders of Outstanding Certificates, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

SECTION 34. Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, Bond Counsel, Paying Agent/Registrar, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, Bond Counsel, Paying Agent/Registrar, and the Holders.

SECTION 35. Inconsistent Provisions. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters ordained herein.

SECTION 36. Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 37. Severability. If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 38. Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 39. Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Council of the City.

SECTION 40. Authorization of Paying Agent/Registrar Agreement. The City Council of the City hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement concerning the payment, exchange, and transferability of the Certificates. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Ordinance.

SECTION 41. Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time,

place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 42. Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

SECTION 43. No Recourse Against City Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Certificate or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Certificate.

SECTION 44. Continuing Disclosure Undertaking.

Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

Rule means SEC Rule 15c2-12, as amended from time to time.

SEC means the United States Securities and Exchange Commission.

The Certificates are being sold pursuant to a private placement with the Purchasers, in denominations of generally \$100,000 or any integral multiple of \$5,000 in excess thereof, and therefore SEC Rule 15c2-12 is not applicable to the offering of the Certificates. Accordingly, no contract to provide continuing disclosure information after the issuance of the Certificates has been made by the City with investors.

SECTION 45. Book-Entry Only System.

The Certificates may initially be registered so as to participate in a securities depository system (the *DTC System*) with the Depository Trust Company, New York, New York, or any successor entity thereto (*DTC*), as set forth herein. Each Stated Maturity of the Certificates shall be issued (following cancellation of the Initial Certificates described in Section 7) in the form of a separate single definitive Certificate. Upon issuance to a Holder other than the initial Purchaser, the ownership of each such Certificate shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Certificates shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit C (the *Representation Letter*).

With respect to the Certificates registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any

broker-dealer, bank, or other financial institution for which DTC holds the Certificates from time to time as securities depository (a *Depository Participant*) or to any person on behalf of whom such a Depository Participant holds an interest in the Certificates (an *Indirect Participant*). Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Certificates, as shown on the Security Register, of any notice with respect to the Certificates, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Certificate, of any amount with respect to principal of, premium, if any, or interest on the Certificates. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a Certificate evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the Holder, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

In the event that (a) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the City determines that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the City shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Certificates shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the City may determine that the Certificates shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the City, or such depository's agent or designee, and if the City and the Paying Agent/Registrar do not select such alternate securities depository system then the Certificates may be registered in whatever name or names the Holders of Certificates transferring or exchanging the Certificates shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 46. Further Procedures. The officers and employees of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Certificates, the Purchase Contract, and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Certificates, the Mayor or the City Administrator and Bond Counsel are hereby authorized and directed to approve any technical

changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Certificates by the Texas Attorney General's office. In case any officer of the City whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 47. Accounting Reports. Notwithstanding the provisions of Section 44 of this Ordinance, the City shall provide annually to JPMorgan Chase Bank, N.A., San Antonio, Texas for so long as it is the holder of the Certificates, within nine months after the end of each fiscal year ending in or after 2007, financial information and operating data with respect to the City; provided that such financial statements so to be provided shall be (1) prepared in accordance with the generally accepted accounting principles, or such other accounting principles as the City may be required to employ from time to time pursuant to Texas law or regulations, and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall provide (1) unaudited financial statements for the applicable fiscal year within nine months after the end of such fiscal year, and (2) audited financial statements for the applicable fiscal year to JPMorgan Chase Bank, N.A. when and if the audit report on such statements become available.

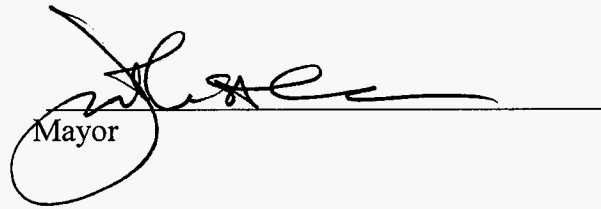
SECTION 48. Interlocal Agreement. The City Council of the City hereby approves the Interlocal Cooperative Agreement with the City of Helotes Economic Development Corporation attached hereto as Exhibit D.

SECTION 49. Effective Date. This Ordinance shall be in force and effect from and after its final passage, and it is so ordained.

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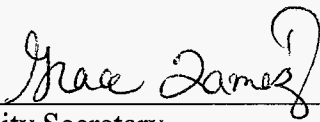
PASSED AND ADOPTED on the 8th day of March, 2007.

CITY OF HELOTES, TEXAS



Mayor

ATTEST:



City Secretary

(CITY SEAL)

EXHIBIT A - Paying Agent/Registrar Agreement
EXHIBIT B – Purchase and Investment Letter
EXHIBIT C – DTC Letter of Representations
EXHIBIT D – Interlocal Cooperative Agreement

EXHIBIT A
PAYING AGENT/REGISTRAR AGREEMENT
SEE TAB NO. 3

EXHIBIT B

PURCHASE AND INVESTMENT LETTER

SEE TAB NO. 4

EXHIBIT C

DTC LETTER OF REPRESENTATIONS

N/A

EXHIBIT D

INTERLOCAL COOPERATIVE AGREEMENT

SEE TAB NO. 16

REGISTERED
NO. R-1

REGISTERED
PRINCIPAL AMOUNT
\$10,000,000

United States of America
State of Texas
County of Bexar
CITY OF HELOTES, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATE OF OBLIGATION, SERIES 2007

Certificate Date:	Interest Rate:	Stated Maturity:	CUSIP No.
March 1, 2007	As Shown Below	As Shown Below	

REGISTERED OWNER: JPMORGAN CHASE BANK, N.A

PRINCIPAL AMOUNT: TEN MILLION AND NO/100 DOLLARS

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
2-1-2008	180,000	3.93
2-1-2009	350,000	3.93
2-1-2010	360,000	3.93
2-1-2011	375,000	3.93
2-1-2012	390,000	3.93
2-1-2013	410,000	3.93
2-1-2014	425,000	3.93
2-1-2015	445,000	3.93
2-1-2016	465,000	3.93
2-1-2017	485,000	3.93
2-1-2018	500,000	3.93
2-1-2019	525,000	3.93
2-1-2020	550,000	3.93
2-1-2021	570,000	3.93
2-1-2022	595,000	3.93
2-1-2023	620,000	3.93
2-1-2024	645,000	3.93
2-1-2025	675,000	3.93
2-1-2026	700,000	3.93
2-1-2027	735,000	3.93

The City of Helotes, Texas (the *City*), a body corporate and municipal corporation in the County of Bexar, State of Texas, for value received, acknowledges itself indebted to and hereby

promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above and to pay interest on the unpaid Principal Amount hereof from the Closing Date, or from the most recent interest payment date to which interest has been paid or duly provided for until such Principal Amount has become due and payment thereof has been made or duly provided for, to Stated Maturity, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year commencing February 1, 2008.

Principal and premium, if any, on this Certificate shall be payable to the Registered Owner hereof (the *Holder*), upon presentation and surrender (provided, however, with respect to principal payments prior to the final Stated Maturity, the Certificates need not be surrendered to the Paying Agent/Registrar, who will merely document this payment on an internal ledger maintained by the Paying Agent/Registrar, at the corporate trust or other office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each interest payment date. All payments of principal of and interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder's risk and expense.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of \$10,000,000 (the *Certificates*) pursuant to an Ordinance adopted by the governing body of the City (the *Ordinance*), for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) renovation of the existing police facility for municipal complex purposes and constructing additional public safety improvements, including construction of a new fire station and a new police station, (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes relating to the construction, acquisition and renovation of the Old Town Helotes area, the public safety facility, the police station and fire station, and (4) the payment of professional services related to the construction and financing of the aforementioned projects, under and in strict conformity with the laws of the State of Texas, particularly Section 363.135, as amended, Texas Health and Safety Code and the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.065.

As provided in the Ordinance, the Certificates are not subject to redemption prior to Stated Maturity.

The Certificates of this series are payable from the proceeds of an ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues (identified and defined in the Ordinance) derived from the operation of the City's solid waste management system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinance authorizing the issuance of the Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Reference is hereby made to the Ordinance, copies of which are on file in the corporate trust or other office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied and the revenues pledged for the payment of the Certificates; the terms and conditions under which the City may issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations; the terms and conditions relating to the transfer or exchange of the Certificates; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holder; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which this Certificate may be discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Ordinance. Capitalized terms used herein have the same meanings assigned in the Ordinance.

This Certificate, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register upon presentation and surrender at the corporate trust or other office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder hereof whose name appears on the Security Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity, and (iii) on any other date as the owner hereof for all other purposes, and neither the City nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to

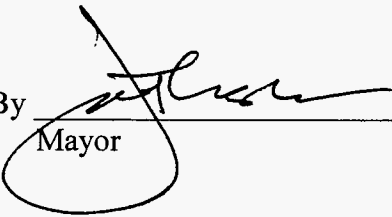
the contrary. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a Special Record Date) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Certificate in order to render the same a legal, valid, and binding obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Certificates does not exceed any constitutional or statutory limitation. In case any provision in this Certificate or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

(The remainder of this page intentionally left blank.)

IN WITNESS WHEREOF, the City has caused this Certificate to be duly executed under its official seal.

CITY OF HELOTES, TEXAS

By _____
Mayor

ATTEST:

_____
City Secretary

(CITY SEAL)

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Certificate has been duly issued and registered under the provisions of the within-mentioned Ordinance; the Certificate or Certificates of the above-entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

Registered this date:

JPMORGAN CHASE BANK, N.A.
as Paying Agent/Registrar

By: _____

Authorized Signature

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto
(Print or typewrite name, address, and zip code of transferee): _____

(Social Security or other identifying number): _____
the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints
_____ attorney to transfer the within Certificate on the books kept for
registration thereof, with full power of substitution in the premises.

DATED: _____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Certificate in every particular.

Signature guaranteed:

PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT entered into as of March 8, 2007 (this *Agreement*) is between the City of Helotes, Texas (the *Issuer*) and JPMorgan Chase Bank, N.A., San Antonio, Texas, a national banking association duly organized and existing under the laws of the United States of America (the *Bank*).

RECITALS OF THE ISSUER

The Issuer has duly authorized and provided for the issuance of its "CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007" (the *Securities*), dated March 1, 2007 in the aggregate original principal amount of \$10,000,000 to be issued as registered securities without coupons;

All things necessary to make the Securities the valid obligations of the Issuer, in accordance with their terms, will be taken upon the issuance and delivery thereof;

The Issuer is desirous that the Bank act as the Paying Agent of the Issuer in paying the principal, premium (if any) and interest on the Securities, in accordance with the terms thereof, and that the Bank act as Registrar for the Securities;

The Issuer has duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement the valid agreement of the Issuer, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Securities, in order to pay, when due, the principal, premium (if any), and interest on all or any of the Securities to the Holders of the Securities.

The Issuer hereby appoints the Bank as Registrar with respect to the Securities.

The Bank hereby accepts its appointment, and agrees to act as, the Paying Agent and the Registrar.

Section 1.02. Compensation.

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Annex A hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee schedule then

in effect for services as Paying Agent/Registrar for political subdivisions, which shall be supplied to the Issuer on or before ninety (90) days prior to the close of the Fiscal Year of the Issuer and which shall be effective upon the first day of the following Fiscal Year. The Issuer covenants to provide notice to the Bank upon any change in the Issuer's Fiscal Year within ten (10) business days of the governing body of the Issuer's decision to change the Fiscal Year of the Issuer.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE TWO DEFINITIONS

Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms, whenever the same appears herein without qualifying language, are defined to mean as follows:

Acceleration Date of any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

Bank Office means the corporate trust or other office of the Bank set forth on the signature page of this agreement. The Bank will notify the Issuer, in writing, of any change in location of the Bank Office.

Bond Resolution means the resolution, order, or ordinance of the governing body of the Issuer pursuant to which the Securities are issued, certified by the City Secretary of the City Council of the Issuer or any other officer of the Issuer, and delivered to the Bank.

Fiscal Year means the fiscal year of the Issuer, which currently begins on October 1 and ends on September 30 of each year.

Holder and *Security Holder* each means a Person in whose name a Security is registered in the Security Register.

Issuer Request and *Issuer Order* means a written request or order signed in the name of the Issuer by the Mayor or the City Secretary of the Issuer and delivered to the Bank.

Legal Holiday means a day on which the Bank is required or authorized to be closed.

Person means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

Redemption Date when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Bond Resolution.

Responsible Officer when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

Security Register means a register maintained by the Bank on behalf of the Issuer providing for the registration of Securities and of transfers of Securities.

Stated Maturity means the date specified in the Bond Resolution as the fixed date on which the principal of a Security is scheduled to be due and payable.

Section 2.02. Other Definitions.

The terms "Bank", "Issuer", and "Security" have the meanings assigned to them in the opening paragraph of this Agreement or in the Recitals of the Issuer.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE THREE PAYING AGENT

Section 3.01. Duties of Paying Agent.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, if any, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder, preparing the checks and mailing the checks on the payment date, to the Holders of the Securities on the Record Date, addressed to their address appearing on the Security Register.

Section 3.02. Payment Dates.

The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities at the dates specified in the Bond Resolution.

ARTICLE FOUR
REGISTRAR

Section 4.01. Transfer and Exchange.

The Issuer shall keep at the Bank Office a register (the *Security Register*) in which, subject to such reasonable written regulations as the Issuer may prescribe (which regulations shall be furnished the Bank herewith or subsequent hereto by Issuer Order), the Issuer shall provide for the registration of the Securities and for transfers of Securities. The Bank is hereby appointed Registrar for the purpose of registering Securities and transfers of Securities as herein provided. The Bank agrees to maintain the Security Register while it is Registrar.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof, or his agent, duly authorized in writing.

Registrar may request any supporting documentation it feels necessary to effect a re-registration.

Section 4.02. Form of Security Register.

The Bank as Registrar will maintain the records of the Security Register in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Securities Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.03. List of Security Holders.

The Bank will provide the Issuer at any time requested by the Issuer, upon payment of any required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the content of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a subpoena, court order, or as required by law. Upon receipt of a subpoena or

court order the Bank will notify the Issuer so that the Issuer may contest the subpoena or court order.

Section 4.04. Return of Canceled Securities.

The Bank will, at such reasonable intervals as it determines, surrender to the Issuer Securities in lieu of which or in exchange for which other Securities have been issued or which have been paid or provide a certificate of destruction relating thereto.

Section 4.05. Transaction Information to Issuer.

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01 and Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01.

ARTICLE FIVE
THE BANK

Section 5.01. Duties of Bank.

The Bank undertakes to perform the duties set forth herein and in the Bond Resolution and agrees to use reasonable care in the performance thereof.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Securities in the manner disclosed in the closing memorandum approved by the Issuer as prepared by the Issuer's financial advisor or other agent. The Bank may act on a facsimile transmission of the closing memorandum to be followed by an original of the closing memorandum signed by the financial advisor or the Issuer.

The Bank shall have only those duties as are specifically provided herein, which shall be deemed purely ministerial in nature, and shall under no circumstance be deemed a fiduciary for any of the parties to this Agreement. The Bank shall neither be responsible for, nor chargeable with, knowledge of the terms and conditions of any other agreement, instrument or document between the other parties hereto, in connection herewith. This Agreement sets forth all matters pertinent to the Agreement contemplated hereunder, and no additional obligations of the Bank shall be inferred from the terms of this Agreement or any other agreement.

Section 5.02. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document supplied by Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 5.03. Recitals of Issuer.

The recitals contained herein and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

Section 5.04. May Hold Securities.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar or any other agent.

Section 5.05. Money Held by Bank.

If the Bank is not the holder of the Securities, a paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping, and disbursement of money received from the Issuer hereunder for the payment of the Securities, and money deposited to the credit of such account until paid to the Holders of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under the laws of the State of Texas to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation.

The Bank shall be under no liability for interest on any money received by it hereunder.

Any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be held by the Bank and disposed of only in accordance with Title 6 of the Property Code (Unclaimed Property).

The Bank will comply with the reporting provisions of Chapter 74 of the Property Code with respect to property that is presumed abandoned under Chapter 72 or Chapter 75 of the Property Code or inactive under Chapter 73 of the Property Code.

Section 5.06. Indemnification.

The Issuer agrees, to the extent it legally may, to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. The foregoing indemnities in this paragraph shall survive the resignation or substitution of the Bank or the termination of this Agreement.

Section 5.07. Interpleader.

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demands or controversy over its persons as well as funds on deposit, in either a Federal or State District Court located in the State and County or Counties where either the Bank (Texas offices only) or the Issuer is located, waive personal service of any process, and agree that service of process by certified or registered mail, return receipt requested, to the address set forth in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming interest herein.

Section 5.08. Depository Trust Company.

It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, if the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements", promulgated from time to time by The Depository Trust Company, which establishes requirements for securities to be eligible for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE SIX
MISCELLANEOUS PROVISIONS

Section 6.01. Amendment.

This Agreement may be amended only by an agreement in writing signed by both of the parties hereof.

Section 6.02. Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

Section 6.04. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6.05. Successors and Assigns.

All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 6.06. Separability.

In case any provision herein, or application thereof, shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions or applications shall not in any way be affected or impaired thereby.

Section 6.07. Benefits of Agreement.

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.08. Entire Agreement.

This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar for the Securities, and if any conflict exists between this Agreement and the Bond Resolution, the Bond Resolution shall govern.

Section 6.09. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Termination.

This Agreement will terminate on the date of final payment by the Bank issuing its checks for the final payment of principal of and interest on the Securities.

This Agreement may be earlier terminated upon 60 days written notice by either party; provided, however, that this Agreement may not be terminated (i) by the Bank until a successor Paying Agent/Registrar that is a national or state banking institution and a corporation or association organized and existing under the laws of the United States of America or of any state which possesses trust powers and is subject to supervision or examination by a federal or state regulatory agency has been appointed by the Issuer and has accepted such appointment, or (ii) at any time during which such termination might, in the judgment of the Issuer, disrupt, delay, or otherwise adversely affect the payment of the principal, premium, if any, or interest on the Securities. Prior to terminating this Agreement, the Issuer may reasonably require the Bank to show that such termination will not occur during a period described in (ii) above.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

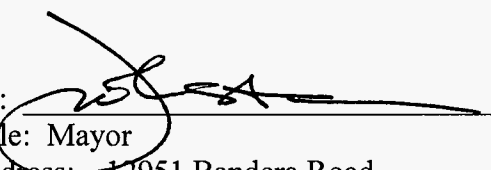
Section 6.11. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas and the United States of America.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF HELOTES, TEXAS

By: 
Title: Mayor
Address: 12951 Bandera Road
Helotes, Texas 78023

[SEAL]

Attest:


Title: City Secretary

JPMORGAN CHASE BANK, N.A.

By: _____
Title: _____
Address: 1020 Northeast Loop 410, First Floor
San Antonio, Texas 78209

[SEAL]

Annex A - Fee Schedule

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF HELOTES, TEXAS

By: _____
Title: Mayor
Address: 12951 Bandera Road
Helotes, Texas 78023

[SEAL]

Attest:

Title: City Secretary

JPMORGAN CHASE BANK, N.A.

By: Chris R. L.
Title: Senior Vice President
Address: 1020 Northeast Loop 410, First Floor
San Antonio, Texas 78209

[SEAL]

Annex A - Fee Schedule

ANNEX A

Fee Schedule

No fee for services rendered

JPMorgan Chase Bank, N. A.
1020 Northeast Loop 410, Suite 100
San Antonio, Texas 78209

March 8, 2007

Re: City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of
Obligation, Series 2007 (the *Obligations*)

City of Helotes, Texas
12951 Bandera Road
Helotes, Texas 78023

Southwest Securities, Inc.
4040 Broadway, Suite 220
San Antonio, Texas 78205

Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200
San Antonio, Texas 78205

Ladies and Gentlemen:

We have agreed to purchase, and the City of Helotes, Texas (the *Issuer*) has agreed to sell to us, the captioned Obligations scheduled to mature on February 1 in each of the years 2008 through 2027 at the purchase price of \$10,000,000 and no accrued interest. Such Obligations will bear the terms, be subject to redemption, if any, and will be secured as described in the Issuer's Ordinance authorizing the same adopted this date, all subject to receipt by you and by us of such opinions, certificates, and other documents as you or we may reasonably require to establish the validity and legality of the Obligations. In addition, at the time we are required to take delivery of the Obligations, no event shall have occurred which, in the reasonable opinion of the undersigned, would materially adversely affect the fair market value of the Obligations.

We hereby represent and warrant that:

(1) we are (i) an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act of 1933 or (ii) a state or national bank organized under the laws of the United States, and we have sufficient knowledge and experience in financial and business matters, including purchase and ownership of tax-exempt municipal obligations, to be able to evaluate the economic risks and merits of the investment represented by the purchase of the Obligations;

(2) we have made our own inquiry and analysis with respect to the Obligations and the security therefor, and other material factors affecting the security and payment of the Obligations, and we have not relied upon any statement by you, your officers, directors, or employees, or your financial consultants or legal advisors in connection with such inquiry or analysis or in connection with the offer and sale of the Obligations;

(3) we have either been furnished with or have had access to all necessary information that we desire in order to enable us to make an informed investment decision concerning investment in the Obligations, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the purpose for which the proceeds of the Obligations will be utilized, and the security therefor, so that we have been able to make an informed decision to purchase the Obligations;

(4) we are purchasing the Obligations for our own account as evidence of a private placement and a negotiated bank loan, and not with a view to, and with no present intention of, further selling, pledging, transferring, conveying, hypothecating, mortgaging, disposing, reoffering, distributing, or reselling the Obligations, or any part or interest thereof, except to persons who are able to and do confirm in writing to us and to you the representations contained in paragraphs (1) through (3) and this paragraph to the same extent as if such paragraphs referred to such persons;

(5) we further acknowledge that we are responsible for consulting with our advisors concerning any obligations, including, but not limited to, any obligations pursuant to federal and state securities and income tax laws, we may have with respect to subsequent purchasers of the Obligations if and when any such future disposition of the Obligations may occur;

(6) we understand that the Obligations (a) are not being registered under the Securities Act of 1933 and are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state due to exemptions from registration provided for therein, (b) will not be listed on any stock or other securities exchange, (c) will carry no rating from any rating service, and (d) will not be readily marketable;


(7) we understand that, with respect to the Obligations, the Issuer is not required to make any continuing disclosure pursuant to Rule 15c2-12(b) of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934 (the *Rule*), because the Obligations are being sold pursuant to a private placement with the Purchasers (as defined in the Ordinance), in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, and therefore the Rule is not applicable to the offering of the Obligations (though, notwithstanding the foregoing, the Issuer acknowledges its covenant made within the Ordinance to deliver to the Purchasers annual financial information and operating data in the form and at such times as specified in the Ordinance); and

(8) we understand and agree that the foregoing representations and warranties will be relied upon by Fulbright & Jaworski L.L.P. as Bond Counsel to the Issuer, in rendering their opinion on the exemption of the Obligations from the registration requirements under existing federal and state securities laws.

City of Helotes, Texas
Southwest Securities, Inc.
Fulbright & Jaworski L.L.P.
March 8, 2007
Page 3

Very truly yours,

JPMORGAN CHASE BANK, N. A.

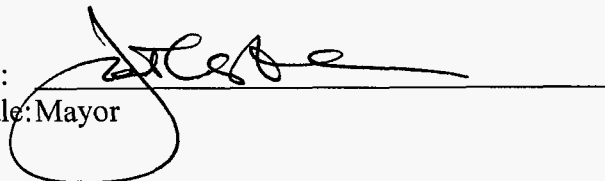
By: 
Name: Charles T. Bridgman
Title: Senior Vice President

City of Helotes, Texas
Southwest Securities, Inc.
Fulbright & Jaworski L.L.P.
March 8, 2007
Page 4

AGREED TO AND ACCEPTED this 8th day of March, 2007.

CITY OF HELOTES, TEXAS

By: _____
Title: Mayor



CERTIFICATE OF CITY SECRETARY

THE STATE OF TEXAS

§

COUNTY OF BEXAR

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CITY OF HELOTES

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THE UNDERSIGNED HEREBY CERTIFIES that:

1. On the 8th day of February, 2007, the City Council (the *Council*) of the City of Helotes, Texas (the *City*) convened in regular session at its regular meeting place in the City Hall (the *Meeting*), the duly constituted members of the Council being as follows:

Jon Allan	Mayor
Linda Boyer-Owens	Mayor Pro Tem, Place 3
Guillerma Contreras	Councilmember, Place 1
Alina Matutes-Eckhardt	Councilmember, Place 2
Joe "JB" Richeson	Councilmember, Place 4
Stuart Birnbaum	Councilmember, Place 5

and all of such persons were present at the Meeting, except the following: None, thus constituting a quorum. Among other business considered at the Meeting, the attached resolution (the *Resolution*) entitled:

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF HELOTES, TEXAS AUTHORIZING AND APPROVING PUBLICATION OF NOTICE OF INTENTION TO ISSUE CERTIFICATES OF OBLIGATION; COMPLYING WITH THE REQUIREMENTS CONTAINED IN SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12; AND PROVIDING AN EFFECTIVE DATE

was introduced and submitted to the Council for passage and adoption. After presentation and discussion of the Resolution, a motion was made by Councilmember Birnbaum that the Resolution be finally passed and adopted. The motion was seconded by Councilmember Richeson and carried by the following vote:

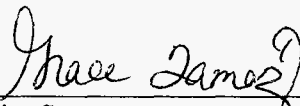
All voted "For" 0 voted "Against" 0 abstained

all as shown in the official Minutes of the Council for the Meeting.

2. The attached Resolution is a true and correct copy of the original on file in the official records of the City; the duly qualified and acting members of the Council of the City on the date of the Meeting are those persons shown above, and, according to the records of my office, each member of the Council was given actual notice of the time, place, and purpose of the Meeting and had actual notice that the Resolution would be considered; and the Meeting and deliberation of the aforesaid public business, including the subject of the Resolution, was posted

and given in advance thereof in compliance with the provisions of Chapter 551, as amended, Texas Government Code.

IN WITNESS WHEREOF, I have signed my name officially and affixed the seal of the City, this 8th day of February, 2007.



City Secretary,
City of Helotes, Texas

(CITY SEAL)

RESOLUTION NO. 188

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF HELOTES, TEXAS AUTHORIZING AND APPROVING PUBLICATION OF NOTICE OF INTENTION TO ISSUE CERTIFICATES OF OBLIGATION; COMPLYING WITH THE REQUIREMENTS CONTAINED IN SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Council (the *City Council*) of the City of Helotes, Texas (the *City*) has determined that it is advisable and necessary to issue and sell one or more series of certificates of obligation (the *Certificates*) in an amount not to exceed \$10,000,000 as provided pursuant to the provisions of the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.065, for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) renovation of the existing police facility for municipal complex purposes and constructing additional public safety improvements, including construction of a new fire station and a new police station, (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes relating to the construction, acquisition and renovation of the Old Town Helotes area, the public safety facility, the police station and fire station, and (4) the payment of professional services related to the construction and financing of the aforementioned projects; and

WHEREAS, prior to the offering, sale, and issuance of the Certificates, the appropriate officials of the City must review and approve the distribution of a "deemed final" preliminary official statement (the *Official Statement*) in order to comply with the requirements contained in 17 C.F.R. §240.15c2-12 (the *Securities and Exchange Rule*); and

WHEREAS, based upon their review of the Official Statement, the appropriate officials of the City must find to the best of their knowledge and belief, after reasonable investigation, that the representations of facts pertaining to the City contained in the Official Statement are true and correct and that, except as disclosed in the Official Statement, there are no facts pertaining to the City that would adversely affect the issuance of the Certificates or the City's ability to pay the debt service requirements on the Certificates when due; and

WHEREAS, the City Council will comply with the requirements contained in the Securities and Exchange Rule concerning the creation of a contractual obligation between the City and the proposed purchaser(s) of the Certificates (the *Purchasers*) to provide the Purchasers with an Official Statement in a time and manner that will enable the Purchasers to comply with the distribution requirements and continuing disclosure requirements contained in the Securities and Exchange Rule; and

WHEREAS, the City Council authorizes the Mayor, City Administrator, City Secretary, and the City Attorney, as appropriate, or their designees, to review, approve, and execute any document or certificate in order to allow the City to comply with the requirements contained in the Securities and Exchange Rule; and

WHEREAS, prior to the issuance of the Certificates, the City Council is required to publish notice of its intention to issue the Certificates in a newspaper of general circulation in the City, such notice stating (i) the time and place the City Council tentatively proposes to pass the ordinance authorizing the issuance of the Certificates, (ii) the maximum amount proposed to be issued, (iii) the purposes for which the Certificates are to be issued, (iv) and the manner in which the City Council proposes to pay the Certificates; and

WHEREAS, the City Council hereby finds and determines that such documents pertaining to the sale of the Certificates should be approved, and the City should proceed with the giving of notice of intention to issue the Certificates in the time, form, and manner provided by law;

WHEREAS, the City Council hereby finds and determines that the adoption of this Resolution is in the best interests of the citizens of the City; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HELOTES, TEXAS THAT:

SECTION 1: The City Secretary is hereby authorized and directed to cause notice to be published of the City Council's intention to issue the Certificates in an amount not to exceed \$10,000,000 for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) renovation of the existing police facility for municipal complex purposes and constructing additional public safety improvements, including construction of a new fire station and a new police station, (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes relating to the construction, acquisition and renovation of the Old Town Helotes area, the public safety facility, the police station and fire station, and (4) the payment of professional services related to the construction and financing of the aforementioned projects. The Certificates will be payable from the levy of an annual ad valorem tax, within the limitations prescribed by law, upon all taxable property within the City and additionally from a pledge of and lien on certain revenues derived from the operation of the City's solid waste management system. The notice hereby approved and authorized to be published shall read substantially in the form and content of Exhibit A attached hereto, which notice is incorporated herein by reference as a part of this Resolution for all purposes.

SECTION 2: The City Secretary shall cause the notice described in Section 1 to be published in a newspaper of general circulation in the City, once a week for two consecutive

weeks, the date of the first publication shall be at least fifteen (15) days prior to the date stated therein for passage of the ordinance authorizing the issuance of the Certificates.

SECTION 3: The Mayor, City Administrator, City Secretary, and the City Attorney, as appropriate, or their designees, are authorized to review and approve the Official Statement pertaining to the offering, sale, and issuance of the Certificates and to execute any document or certificate in order to comply with the requirements contained in the Securities and Exchange Rule.

SECTION 4: The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the City Council.

SECTION 5: All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

SECTION 6: This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 7: If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Resolution would have been enacted without such invalid provision.

SECTION 8: It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 9: This Resolution shall be in force and effect from and after the date of its adoption, and it is so resolved.

[The remainder of this page intentionally left blank.]

PASSED AND APPROVED, this the 8th day of February, 2007.

CITY OF HELOTES, TEXAS



Mayor

ATTEST:



City Secretary

(CITY SEAL)

Exhibit A

NOTICE OF INTENTION TO ISSUE
CITY OF HELOTES, TEXAS
CERTIFICATES OF OBLIGATION

NOTICE IS HEREBY GIVEN that the City Council of the City of Helotes, Texas will convene at its regular meeting place in the City Hall in Helotes, Texas, at 7:00 o'clock P.M., Helotes, Texas time on March 8, 2007, and, during such meeting, the City Council will consider the passage of an ordinance or ordinances and take such other actions as may be deemed necessary to authorize the issuance of one or more series of certificates of obligation in an aggregate principal amount not to exceed \$10,000,000 for the purpose or purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) renovation of the existing police facility for municipal complex purposes and constructing additional public safety improvements, including construction of a new fire station and a new police station, (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes relating to the construction, acquisition and renovation of the Old Town Helotes area, the public safety facility, the police station and fire station, and (4) the payment of professional services related to the construction and financing of the aforementioned projects. The certificates of obligation (the *Certificates*) will be payable from the levy of an annual ad valorem tax, within the limitations prescribed by law, upon all taxable property within the City and from a lien on and pledge of certain revenues derived by the City from the operation of the City's solid waste management system. The Certificates are to be issued, and this notice is given, under and pursuant to the provisions of the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Section 271.041 through Section 271.065 and Chapter 363.135, as amended, Texas Health and Safety Code.

City Secretary,
City of Helotes, Texas

AFFIDAVIT OF PUBLICATION

THE STATE OF TEXAS

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BEXAR COUNTY

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CITY OF HELOTES

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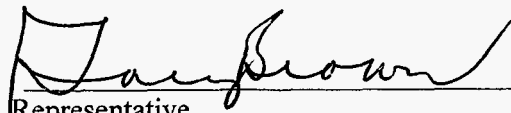
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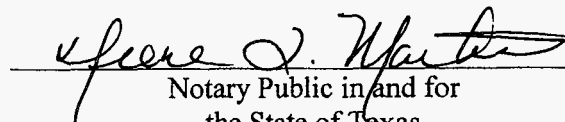
BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared GARY BROWN, who, after being by me duly sworn, upon oath says that he/she is a representative of *The Echo*, a newspaper of general circulation in the City of Helotes, Texas, which newspaper satisfies each of the requirements of Subchapter C, Chapter 205i, as amended, Texas Government Code, so as to constitute an official publication in which legal notices may be published as set forth in Subchapter C, Chapter 2051, as amended, Texas Government Code, and that there was published in said newspaper on the following dates a true and correct copy of the attached NOTICE OF INTENTION to issue certificates of obligation:

2-14-07

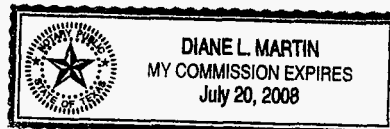
2-21-07


Representative

SUBSCRIBED AND SWORN TO before me, the undersigned authority, on the 19th day of March, 2007, to verify which witness my hand and seal of office.


Notary Public in and for
the State of Texas

(NOTARY SEAL)



**PUBLIC
NOTICE**

**NOTICE OF INTENTION TO ISSUE
CITY OF HELOTES, TEXAS
CERTIFICATES OF OBLIGATION**

NOTICE IS HEREBY GIVEN that the City Council of the City of Helotes, Texas will convene at its regular meeting place in the City Hall in Helotes, Texas, at 7:00 o'clock P.M., Helotes, Texas time on March 8, 2007, and, during such meeting, the City Council will consider the passage of an ordinance or ordinances and take such other actions as may be deemed necessary to authorize the issuance of one or more series of certificates of obligation in an aggregate principal amount not to exceed \$10,000,000 for the purpose or purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) renovation of the existing police facility for municipal complex purposes and constructing additional public safety improvements, including construction of a new fire station and a new police station, (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes relating to the construction, acquisition and renovation of the Old Town Helotes area, the public safety facility, the police station and fire station, and (4) the payment of professional services related to the construction and financing of the aforementioned projects. The certificates of obligation (the Certificates) will be payable from the levy of an annual ad valorem tax, within the limitations prescribed by law, upon all taxable property within the City and from a lien on and pledge of certain revenues derived by the City from the operation of the City's solid waste management system. The Certificates are to be issued, and this notice is given, under and pursuant to the provisions of the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Section 271.041 through Section 271.065 and Chapter 363.135, as amended, Texas Health and Safety Code.

Grace Tamez, City Secretary
City of Helotes, Texas

GENERAL CERTIFICATE

THE STATE OF TEXAS

§

COUNTY OF BEXAR

§

CITY OF HELOTES

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THE UNDERSIGNED HEREBY CERTIFY that:

1. The City Council of the City of Helotes, Texas (the *City*) has authorized the issuance of the "CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007", dated March 1, 2007, in the aggregate principal amount of \$10,000,000 (the *Certificates*), authorized by an ordinance passed and adopted on the 8th day of March, 2007 (the *Ordinance*).

2. The total principal amount of outstanding indebtedness of the City, payable, in whole or in part, from taxes levied under and pursuant to Article XI, Section 4 of the Texas Constitution, including the Certificates, is as follows:

OUTSTANDING TAX OBLIGATIONS	\$ 1,185,000
THE CERTIFICATES	<u>10,000,000</u>
TOTAL INDEBTEDNESS	\$11,185,000

A schedule of indebtedness of the City payable, in whole or in part, from taxes is attached hereto as Exhibit A and made a part of this certificate for all purposes.

3. A debt service requirement schedule for all outstanding general obligation indebtedness of the City, including the Certificates, is attached hereto as Exhibit B and made a part of this certificate for all purposes.

4. The City is a duly incorporated Type A general law municipality, having more than 5,000 inhabitants, operating and existing under the laws of the State of Texas.

5. The members of the City Council of the City are as follows:

Jon Allan	Mayor
Linda Boyer-Owens	Mayor Pro Tem, Place 3
Guillerma Contreras	Councilmember, Place 1
Alina Matutes-Eckhardt	Councilmember, Place 2
Joe "JB" Richeson	Councilmember, Place 4
Stuart Birnbaum	Councilmember, Place 5

6. Marie Gelles is the duly appointed, qualified, and acting City Administrator of the City.

7. Grace Tamez is the duly appointed, qualified, and acting City Secretary of the City.

8. The assessed value of all taxable property (net of exemptions) in the City, as shown by the tax rolls for the year 2006-2007, which have been duly approved and are the latest official assessment of taxable property in the City, is as follows:

TOTAL ASSESSED TAXABLE VALUES OF REAL AND PERSONAL PROPERTY	\$473,714,054
--	---------------

9. All of the meetings held by the City Council pursuant to which any proceedings were passed, adopted, and approved in connection with the Certificates were meetings open to the public for which public notice had been given, all as required by law and particularly Chapter 551, as amended, Texas Government Code.

10. The current rates and charges for services furnished by the System are as set forth in Exhibit C and made a part of this certificate for all purposes.

11. A schedule of the Gross Revenues of the System (as shown by the records of the City) for the last five Fiscal Years is attached as Exhibit D and made a part of this certificate for all purposes.

12. No Net Revenues of the System are pledged or encumbered to the payment of any debt or obligation of the City or the System, except in connection with the currently outstanding Limited Pledge Obligations and the Certificates.

13. The City is not in default as to any covenant, obligation, or undertaking contained in any ordinance or other document relating to the issuance of any obligations now Outstanding which are payable from and secured by a lien on and pledge of the Net Revenues, and each of the accounts created and established for the sole purpose of paying the principal of and interest on such obligations contains the amount now required to be on deposit therein.

14. No petition signed by at least 5% of the qualified electors of the City has been filed with the Mayor, the City Secretary, any member of the City Council of the City, or any other officer of the City protesting the issuance of the Certificates or requesting a referendum election on the question of their issuance and sale.

15. The terms *Fiscal Year*, *Gross Revenues*, *Limited Pledge Obligations*, *Maintenance and Operating Expenses*, *Net Revenues*, and *System*, as used in this certificate, have the same meanings as in the Ordinance.

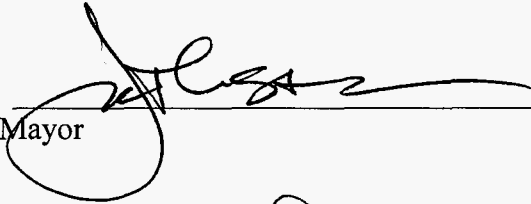
16. Additional transcript requirements pursuant to the provisions of Section 1202.008, as amended, Texas Government Code, are attached hereto as Exhibit E.

17. Capitalized terms not defined in this certificate shall have the meanings ascribed to them in the Ordinance.

18. This certificate is made for the benefit of the persons involved in this transaction and the Attorney General of The State of Texas in connection with his examination into and the approval of the Certificates.

WITNESS OUR HANDS AND THE SEAL OF THE CITY OF HELOTES, TEXAS, this
8th day of March, 2007.

CITY OF HELOTES, TEXAS



Mayor



City Secretary

(CITY SEAL)

EXHIBIT A

**CURRENTLY OUTSTANDING INDEBTEDNESS
PAYABLE FROM TAXES**

	<u>Description</u>	<u>Amount</u>
1	General Obligation Bonds, Series 1993	\$ 65,000
.		
2	Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002	1,120,000
.		
3	The Certificates	<u>10,000,000</u>
.		
	TOTAL	<u>\$11,185,000</u>

EXHIBIT B**COMBINED DEBT SERVICE SCHEDULE**

Period Ending	Certificates of Obligation, Series 2007	Current Outstanding Aggregate Debt	Aggregate Debt Service
09/30/2007		167,418.75	167,418.75
09/30/2008	697,188.00	167,202.50	864,390.50
09/30/2009	729,048.50	171,502.50	900,551.00
09/30/2010	725,097.00	131,565.00	856,662.00
09/30/2011	725,654.25	132,665.00	858,319.25
09/30/2012	725,622.00	138,465.00	864,087.00
09/30/2013	729,902.00	138,965.00	868,867.00
09/30/2014	728,494.25	139,265.00	867,759.25
09/30/2015	731,398.75	139,240.00	870,638.75
09/30/2016	733,517.25	138,852.50	872,369.75
09/30/2017	734,849.75	143,045.00	877,894.75
09/30/2018	730,494.50		730,494.50
09/30/2019	735,353.25		735,353.25
09/30/2020	739,229.50		739,229.50
09/30/2021	737,221.50		737,221.50
09/30/2022	739,329.25		739,329.25
09/30/2023	740,454.50		740,454.50
09/30/2024	740,597.25		740,597.25
09/30/2025	744,659.25		744,659.25
09/30/2026	742,640.50		742,640.50
09/30/2027	749,442.75		749,442.75
	14,660,194.00	1,608,186.25	16,268,380.25

EXHIBIT C

SOLID WASTE MANAGEMENT SYSTEM RATES

	(Old Rate)	Amt of Increase 4.74% per CPI	New Rates
CARTS:			
Residential Service	\$17.10	\$0.81	\$17.91
Commercial Hand Load	\$15.42	\$0.73	\$16.15
ROLL OFF:			
Delivery Fee	\$82.24	\$3.90	\$86.14
20 cu yard	\$221.02	\$10.48	\$231.50
30 cu yard	\$267.28	\$12.67	\$279.95
40 cu yard	\$308.40	\$14.62	\$323.02
rental/day	\$2.06	\$0.10	\$2.16
DRY RUN CHARGE	\$82.24	\$3.90	\$86.14
20 YD AG BOX	\$154.20	\$7.31	\$161.51
SAME SPOT	\$10.28	\$0.49	\$10.77
BRUSH: *brush & unpainted wood only			
30 cu yard BRUSH	\$164.48	\$7.80	\$172.28
FRONTLOAD:			
2 yd 1x per week	\$46.26	\$2.19	\$48.45
2 yd 2x per week	\$79.16	\$3.75	\$82.91
2yd 3x per week	\$100.74	\$4.78	\$105.52
2yd 4x per week	\$123.36	\$5.85	\$129.21
2yd 5x per week	\$154.20	\$7.31	\$161.51
3yd 1x per week	\$58.60	\$2.78	\$61.38
3yd 2x per week	\$95.60	\$4.53	\$100.13
3yd 3x per week	\$143.92	\$6.82	\$150.74
3yd 4x per week	\$185.04	\$8.77	\$193.81
3yd 5x per week	\$221.02	\$10.48	\$231.50
4yd 1x per week	\$62.71	\$2.97	\$65.68
4yd 2x per week	\$107.94	\$5.12	\$113.06
4yd 3x per week	\$154.20	\$7.31	\$161.51
4yd 4x per week	\$205.60	\$9.75	\$215.35
4yd 5x per week	\$257.00	\$12.18	\$269.18
6yd 1x per week	\$77.10	\$3.65	\$80.75
6yd 2x per week	\$138.78	\$6.58	\$145.36
6yd 3x per week	\$190.18	\$9.01	\$199.19
6yd 4x per week	\$241.58	\$11.45	\$253.03
6yd 5x per week	\$298.12	\$14.13	\$312.25
8yd 1x per week	\$97.66	\$4.63	\$102.29
8yd 2x per week	\$159.34	\$7.55	\$166.89
8yd 3x per week	\$236.44	\$11.21	\$247.65
8yd 4x per week	\$303.26	\$14.37	\$317.63
8yd 5x per week	\$364.94	\$17.30	\$382.24
CASTERS/LOCKS	\$10.28	\$0.49	\$10.77
DEODERIZE 1 X ONLY	\$1.03	\$0.05	\$1.08
DEO 1X PER WEEK	\$4.11	\$0.19	\$4.30
DEO 2X PER WEEK	\$8.22	\$0.39	\$8.61
DEO 3X PER WEEK	\$12.34	\$0.58	\$12.92
DEO 4X PER WEEK	\$16.45	\$0.78	\$17.23
DEO 5X PER WEEK	\$20.56	\$0.97	\$21.53

EXHIBIT D

GROSS REVENUES OF THE SYSTEM

	<u>9/30/2006</u>	<u>9/30/2005</u>	<u>9/30/2004</u>	<u>9/30/2003</u>	<u>9/30/2002</u>
Revenues	\$46,356	\$37,806	\$28,015	\$26,976	\$22,831

EXHIBIT E

ADDITIONAL TRANSCRIPT REQUIREMENTS

City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007

Par Amount of Issue:	\$10,000,000
Dollar Amount of Bond Premium (if any):	None
Dollar Amount of Original Issue Discount (if any):	None
Dated Date:	March 1, 2007
Closing Date (Expected Delivery Date, on or about):	April 4, 2007
By Year, Maturity Amounts, Coupon Rates, Prices or Yields (If No Reoffering Yield (NRO) Indicated, Please Provide Yield Separately):	Attached
Call Provisions, Including Premiums (if any):	Not callable prior to stated maturity
Mandatory Redemption Provisions:	None
Debt-Service Schedule, Principal and Interest, and Annual Totals, with the fiscal year identified:	Attached
Use of Derivative Products Associated with Financing:	None
If Applicable, Schedule of Bonds <u>Refunded</u> , including, by year, principal amount, coupon, and <u>interest cost</u> :	None
Pledge: tax (ad valorem, sales, other), revenue, combination:	Ad valorem tax and solid waste management system revenues
Type of Credit Enhancement (including PSF guarantee):	None
Rating Service(s) and rating(s) assigned to issue:	None
Type of sale: placement	<input type="checkbox"/> a) competitive <input checked="" type="checkbox"/> c) private <input type="checkbox"/> b) negotiated <input type="checkbox"/> d) other (explain)
Pricing:	Negotiated sale: date and time of verbal Competitive sale: date and time of award Private Placement: date and time of
Award of bid:	of bid: agreement on interest rates: 3-8-07 at 6:00 p.m.

If purchaser of bonds is a governmental entity, such as the Texas Water Development Board, please name purchaser: N/A.

If a refunding bond issue, please provide final schedule of cash and present value savings (loss). N/A

If a school district refunding bond issue, and the refunding involves "old debt" per the Texas Education Code, please provide schedule of principal and interest payments of refunding bonds associated with "old debt". If the same issue also involves "new debt," please provide a schedule of principal and interest payments on the "new debt" portion as well. These two schedules together should equal total debt service by maturity. N/A

CAB's and CIB's - please provide the per annum bond interest rates by maturity as shown in the bond order document. N/A

Costs of Issuance — please provide best estimate of costs. If final costs are significantly different, please submit changes directly to the Texas Bond Review Board. Call (512) 463-1741 or (512) 475-4802 (FAX).

SERVICE	FIRM	ONE-TIME FEES	ANNUAL FEE (a)
Bond Rating		(in dollars)	
	Duff & Phelps		
	Fitch		
	Moody's		
	Standard & Poor's		
Other General Costs of Issuance (b)		85,000.00	
Any Specialized Costs of Issuance (c)			
Bond Insurance			
Total Underwriting Spread (d)		0.00	
Did underwriter pay rating fee(s)?	Yes <u>No</u>	Which one(s)?	
Did underwriter pay bond insurance fee?	Yes <u>No</u>		

PARTICIPANTS	FIRM
Bond Counsel	Fulbright & Jaworski L.L.P., San Antonio, Texas
Paying Agent/Registrar	JPMorgan Chase Bank, National Association, San Antonio, Texas
Financial Advisor	Southwest Securities, Inc., San Antonio, Texas
Purchaser	JPMorgan Chase Bank, N.A., San Antonio, Texas

- (a) relates to the ongoing fees or recurring costs of a financing for services such as paying agent, remarketing agent, credit provider and other similar services (may be expressed as a formula as appropriate).
- (b) e.g., bond counsel, financial advisor, paying agent, printing, AG approval.
- (c) e.g., remarketing fees, escrow verification fees, etc.
- (d) the cost for marketing and selling the bonds, including takedown, structuring fee, underwriter risk, and expenses.

PERSON COMPLETING FORM:

Name: Mark M. McLiney

Telephone No. (210) 226-8677
Fax No. (210) 226-8299

SIGNATURE AND NO-LITIGATION CERTIFICATE

THE STATE OF TEXAS

§

COUNTY OF BEXAR

§

CITY OF HELOTES

§

§

§

THE UNDERSIGNED HEREBY CERTIFY that:

1. This certificate is executed and delivered with reference to the "CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007", dated March 1, 2007 (the *Certificate Date*), in the aggregate original principal amount of \$10,000,000 (the *Certificates*).

2. The Certificates have been duly and officially executed by the undersigned Mayor and City Secretary of the City of Helotes, Texas with their manual or facsimile signatures in the manner appearing hereon, and the undersigned Mayor and City Secretary hereby adopt and ratify their respective signatures in the manner appearing on each of the Certificates in manual or facsimile form, as the case may be, as their true, genuine, and official signatures.

3. On the Certificate Date and on the date hereof, the undersigned were and are the duly chosen, qualified, and acting officers indicated therein and were and are authorized to execute the same.

4. The legally adopted, proper, and official corporate seal of the City is impressed, imprinted, or lithographed on all of the Certificates and is impressed on this certificate.

5. No litigation of any nature is now pending before any federal or state court, or administrative body, or to our knowledge threatened, to which the City is a party that seeks to restrain or enjoin the issuance or delivery of the Certificates or questioning the issuance or sale of the Certificates, or the authority or action of the governing body of the City relating to the issuance or sale of the Certificates, the levy of the tax, or the assessment and collection thereof, to pay the principal of and interest on the Certificates, the collection of certain of the revenues derived from the operation of the City's solid waste management system (the *System*), or the imposition of rates and charges with regard to the System, pledged to pay the principal of and interest on the Certificates, or that would otherwise adversely affect in a material manner the financial condition of the City to pay the principal of and interest on the Certificates; and neither the corporate existence or boundaries of the City nor the right to hold office of any member of the governing body of the City or any other elected or appointed official of the City is being contested or otherwise questioned.

6. No petition or other request has been filed with or presented to any official of the City requesting that any proceedings authorizing the issuance of the Certificates adopted by the governing body of the City be submitted to a referendum or other election; no authority or proceeding for the issuance, sale, or delivery of the Certificates by the governing body of the City has been amended, repealed, revoked, rescinded, or otherwise modified since the date of

passage thereof; and all such proceedings and authority relating to the issuance and sale of the Certificates remain in full force and effect as of the date of this certificate.

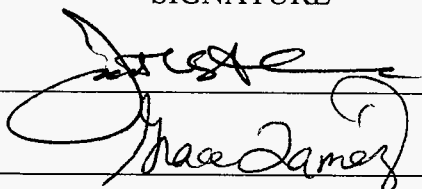
Authorization of Attorney General to Date Certificate

7. This Certificate is submitted pursuant to 1 TAC §53.231. Upon the approval of the Certificates by the Attorney General of the State of Texas, he is authorized to date this Certificate as of the date of such approval. If any litigation should develop, or if any other event should occur which should make this Certificate inaccurate before the Attorney General's approval of the Certificates, we will notify the Attorney General at once by both telephone and facsimile transmission. With this assurance, the Attorney General is entitled to rely on the accuracy of this Certificate at the time of approval of the Certificates unless we advise him otherwise.

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EXECUTED AND DELIVERED this APR 04 2007.

SIGNATURE



OFFICIAL TITLE

Mayor, City of Helotes, Texas

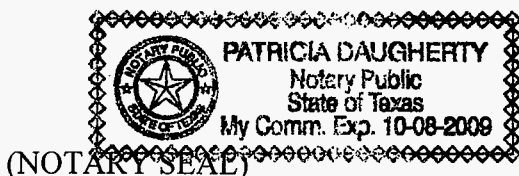
City Secretary, City of Helotes, Texas

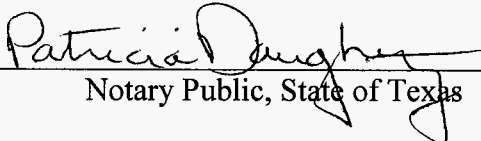
(CITY SEAL)

Execute below:

Before me, on this day personally appeared the foregoing individuals, known to me to be the persons whose names are subscribed to the foregoing instrument and who executed this document in my presence.

Given under my hand and seal of office this ____ day of March, 2007.





Notary Public, State of Texas

CERTIFICATE AS TO TAX EXEMPTION

The undersigned, being the duly chosen and qualified Mayor of the City of Helotes, Texas (the *City*), hereby certifies with respect to the CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007 in the aggregate principal amount of \$10,000,000 (the *Certificates*), as follows:

A. General.

1. For all purposes of this certificate, unless otherwise defined, all defined terms herein shall have the same meaning given to them in the Ordinance and the Regulations (each as defined below).

2. Pursuant to state law and the Ordinance authorizing the issuance of the Certificates, I, along with other officers of the City, am charged with the responsibility for issuing the Certificates.

3. This certificate is made pursuant to Treasury Regulations Sections 1.141 through 1.150 (the *Regulations*), and sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*).

4. This certificate is based on the facts and estimates described herein in existence on the Closing Date, and, on the basis of such facts and estimates, the City expects that the future events described herein will occur. The City covenants not to take any intentional acts or actions after the Closing Date of the Certificates to earn a Yield upon the investment of the proceeds materially higher than the Yield on the Certificates, except as provided herein.

5. The City's employer identification number is 74-2220224.

B. Purpose and Size.

1. The Certificates are being issued pursuant to an Ordinance of the City adopted on March 8, 2007 (the *Ordinance*) for the purpose or purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) renovation of the existing police facility for municipal complex purposes and constructing additional public safety improvements, including construction of a new fire station and a new police station, (2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes relating to the construction, acquisition and renovation of the Old Town Helotes area, the public safety facility, the police station and fire station, and (4) the payment of professional services related to the construction and financing of the aforementioned projects (the *Project*).

2. The City will, at all times prior to the last Stated Maturity of the Certificates,

(a) exclusively own, operate, and possess all property acquired, constructed, improved, or refinanced with Gross Proceeds and not use or permit the use of any property acquired, constructed, improved, or refinanced with Gross Proceeds in any activity carried on by any person or entity (other than a state or local government), *unless* such use is merely as a member of the general public, or

(b) not directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds or any property acquired, constructed, improved, or refinanced with Gross Proceeds, other than a charge or other payment merely as a member of the general public or interest earned on Investments acquired with Gross Proceeds pending application for their intended purposes, either or both.

3. The City will not use Gross Proceeds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be "loaned" to a person or entity if (1) property acquired, constructed, or improved with Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of Gross Proceeds or any property acquired, constructed, or improved with Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

4. The amounts received from the sale of the Certificates, when added to the amount expected to be received from the investment thereof, do not exceed the amounts required to pay the costs of the Project and of issuing the Certificates.

5. No receipt from the sale of the Certificates or amounts received from the investment thereof will be used to pay the principal of or interest on any currently outstanding issue of bonds or other obligations of the City similar to the Certificates other than the Certificates.

C. Source and Disbursement of Funds.

1. The Certificates are being issued and delivered to JPMorgan Chase Bank, N.A., San Antonio, Texas (the *Purchaser*). The Purchaser purchased the Certificates for \$10,000,000.00, which represents a sales price of par and no accrued interest. The City has received as a result of the sale of the Certificates an amount equal to \$10,000,000.00, which represents a purchase price of par and no accrued interest

2. Of the proceeds of the Certificates received by the City from the Purchaser, approximately \$85,756 will be used to pay the costs of issuance relating to the Certificates, and \$9,914,244 will be deposited in a separate checking account of the City (the *Construction Account* or *Fund*) to pay costs of the Project. The City estimates that it will receive \$250,000 in income or profit from the investment of the amounts deposited to the Construction Fund pending the disbursement of such amounts for the governmental purposes for which the Certificates are being issued. Such amount will be used to pay additional costs of the Project or deposited in the

Certificate Fund to pay principal of or interest on the Certificates within one year from the date of receipt.

D. Temporary Periods and Time for Expenditures.

1. Within six months from the date hereof, the City will have incurred binding obligations or commitments in the amount of at least five percent of the principal amount of the Certificates for the Project by entering into contracts for construction, architectural services, engineering services, land acquisition, site development, construction materials, or the purchase of equipment. The City will account for the allocation of the Certificate proceeds to an expenditure not later than 18 months after the later of the date the expenditure is paid or the date the Project is placed in service; but in all events 60 days after the earlier of the fifth anniversary of the date of this Certificate or the retirement of the Certificates.

2. After entering into said contracts, work on the construction or acquisition of the Project will proceed with due diligence to completion, which is expected to occur on, and the proceeds from the sale of the Certificates and investment earnings thereon are expected to be expended by May 1, 2009.

3. Based on the foregoing, the City expects to invest Gross Proceeds, held in the Construction Fund, without regard as to restriction of Yield until April 4, 2010. Thereafter, the City will restrict the Yield on investments of Gross Proceeds held in the Construction Fund to the Yield on the Certificates.

E. Certificate Fund.

1. The Certificates are payable from an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property located within the jurisdiction of the City and by a lien on and pledge of the Pledged Revenues of the System. All taxes levied and collected for and on account of the Certificates are to be deposited into the City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 Interest and Sinking Fund (the *Certificate Fund*).

2. Except for that portion of the Certificate Fund, if any, consisting of deposits made to defease in whole or in part the Certificates, the Certificate Fund was created primarily to achieve a proper matching of revenues and debt service with respect to the Certificates within each bond year, beginning on the Closing Date and ending on each anniversary of the Closing Date thereafter until the Certificates are no longer Outstanding and will be depleted at least once a year except possibly for a carry-over amount not greater than the larger of the preceding bond year's income from the investment thereof or one-twelfth of the debt service paid during the preceding bond year on the Certificates. All amounts deposited to the Certificate Fund will be spent within 13 months of deposit, and all amounts received from investment of such fund will be deposited therein and will be expended within twelve months of receipt. Any amounts held in the Certificate Fund during such periods are expected to be invested by the City without regard as to restriction of Yield. Any amounts held in the Certificate Fund in excess of such periods will be invested at a Yield not to exceed the Yield on the Certificates.

3. All money deposited in the Certificate Fund will be used solely to pay the principal of, and interest on, the Certificates as the same becomes due and payable, and there will be no other funds that will be so used or pledged or otherwise restricted so as to be available with reasonable certainty to be so used.

F. Yield, Rebate and Miscellaneous.

1. The Yield on the Certificates is 3.9300 percent, as verified by the City's financial advisors.

2. The City has covenanted to account for the Gross Proceeds of the Certificates separately and apart from all other funds of the City from the date hereof.

3. The City reasonably expects that at least 75% of the "Available Construction Proceeds" of the Certificates as defined in Regulation 1.148-7(i) will be allocated to "construction expenditures", as defined in Regulation 1.148-7(g) for property which will be owned by the City. The City elects to use actual facts for purposes of Regulation 1.148-7(e) through (m).

4. Unless the City has qualified for an exception to rebate pursuant to Section 148(f)(4) of the Code, not less frequently than each Computation Date, the City has covenanted in the Ordinance to calculate or cause to be calculated by a nationally recognized accounting, financial advisory firm or financial institution, in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder, the Rebate Amount. The City has covenanted in the Ordinance to maintain such calculations with the official transcript of the proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

5. The City has covenanted in the Ordinance to pay to the United States any amount described in paragraph 4 of this Section, at the times, in the installments, to the place, in the manner, and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

6. The City does not expect that the proceeds of the Certificates will be used in a manner that would cause the Certificates to be arbitrage bonds within the meaning of section 148 of the Code.

7. The City has covenanted to account for the Gross Proceeds of the Certificates separately and apart from all other funds of the City from the date hereof.

8. The weighted average maturity of the Certificates is 11.85 years, which is less than 120% of the average reasonably expected economic life of the assets acquired or constructed with the proceeds of the Certificates, calculated pursuant to section 147 of the Code.

9. The City has not sold nor will it sell any obligations within 15 days of the sale date of the Certificates.

10. The City has not incurred or issued and will not incur or issue tax exempt bonds (bonds, notes, lease agreements, etc.) pursuant to Section 103(a) of the Code during the current calendar year in an aggregate amount in excess of \$10,000,000, and the City has in the Ordinance and hereby designates the Certificates as "Qualified Tax Exempt Obligations" in accordance with the provisions of paragraph (3) of subsection (b) of Section 265 of the Code.

G. No Abusive Arbitrage Device.

1. In connection with the issuance of the Certificates, the City has not employed any action which has the effect of overburdening the market for tax-exempt obligations by issuing more bonds, issuing bonds earlier, or allowing bonds to remain outstanding longer than is reasonably necessary to accomplish the governmental purposes of the Certificates.

2. In connection with the issuance of the Certificates, the City has not employed any action which has the effect of enabling the City to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage.

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Executed and delivered APR 04 2007.

CITY OF HELOTES, TEXAS



Mayor

FULBRIGHT & JAWORSKI L.L.P.

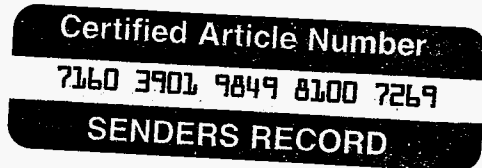
A REGISTERED LIMITED LIABILITY PARTNERSHIP
300 CONVENT STREET, SUITE 2200
SAN ANTONIO, TEXAS 78205-3792
WWW.FULBRIGHT.COM

SCRANE@FULBRIGHT.COM
DIRECT DIAL: 210/270-7127

TELEPHONE: (210) 224-5575
FACSIMILE: (210) 270-7205

April 4, 2007

CERTIFIED MAIL NO. 7160 3901 9849 8100 7269
RETURN RECEIPT REQUESTED



Internal Revenue Service Center
Ogden, Utah 84201

Re: City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates
of Obligation, Series 2007

Ladies and Gentlemen:

I enclose an original and a copy of an Information Return for Tax-Exempt Governmental
Obligations (Form 8038-G) pertaining to the captioned financing.

Please file the original, file-stamp the copy, and return it to me in the enclosed self-
addressed, stamped envelope. Thank you for your assistance.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Suzi E. Crane".

Suzi E. Crane
Senior Paralegal

/sec

Enclosures

cc: George W. Scofield (Firm)

45279958.1

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ☐

1 Issuer's name City of Helotes Texas	2 Issuer's employer identification number 74 : 2220224	
3 Number and street (or P.O. box if mail is not delivered to street address) 12951 Bandera Road	Room/suite	4 Report number 3 01
5 City, town, or post office, state, and ZIP code Helotes Texas 78023	6 Date of issue 4-4-07	
7 Name of issue Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	8 CUSIP number N/A	
9 Name and title of officer or legal representative whom the IRS may call for more information James P. Plummer	10 Telephone number of officer or legal representative (210) 270-7192	

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input checked="" type="checkbox"/> Other. Describe ► Various municipal projects	18 10,000,000
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	2-1-2027	\$ 10,000,000	\$10,000,000	11.858 years	3.9300 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22	-0-
23 Issue price of entire issue (enter amount from line 21, column (b))	23	10,000,000
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	85,756
25 Proceeds used for credit enhancement	25	
26 Proceeds allocated to reasonably required reserve or replacement fund	26	
27 Proceeds used to currently refund prior issues	27	
28 Proceeds used to advance refund prior issues	28	
29 Total (add lines 24 through 28)	29	85,756
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	9,914,244

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

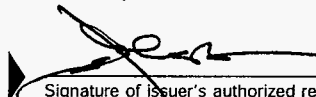
31 Enter the remaining weighted average maturity of the bonds to be currently refunded	_____ years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	_____ years
33 Enter the last date on which the refunded bonds will be called	_____
34 Enter the date(s) the refunded bonds were issued	_____

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a
b Enter the final maturity date of the guaranteed investment contract	
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer and the date of the issue	
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box <input checked="" type="checkbox"/>	
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>	
40 If the issuer has identified a hedge, check box <input type="checkbox"/>	

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Sign
Here


Signature of issuer's authorized representative

4-4-07

Date

Jon Allan, Mayor

Type or print name and title



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT

March 30, 2007

THIS IS TO CERTIFY that the City of Helotes, Texas (the "Issuer") has submitted to me City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificate of Obligation, Series 2007 (the "Certificate") in the principal amount of \$10,000,000 for approval. The Certificate is dated March 1, 2007, numbered T-1, and was authorized by an Ordinance of the Issuer passed on March 8, 2007.

I have examined the law and such certified proceedings and other papers as I deem necessary to render this opinion.

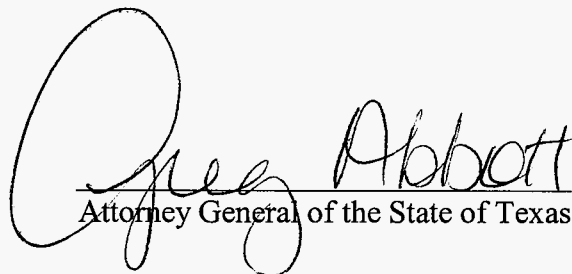
As to questions of fact material to my opinion, I have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to me without undertaking to verify the same by independent investigation.

I express no opinion relating to any official statement or any other offering material relating to the Certificate.

Based on my examination, I am of the opinion, as of the date hereof and under existing law, as follows:

- (1) The Certificate has been issued in accordance with law and is a valid and binding obligation of the Issuer.
- (2) The Certificate is payable from the proceeds of an ad valorem tax levied, within the limits prescribed by law, upon all taxable property within the Issuer and is further payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's System, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer.

Therefore, the Certificate is approved.



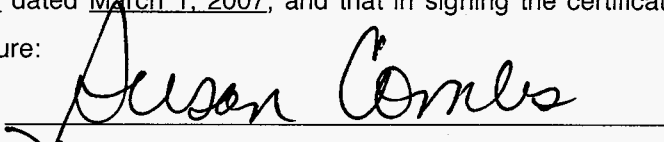
Attorney General of the State of Texas

OFFICE OF COMPTROLLER
OF THE STATE OF TEXAS

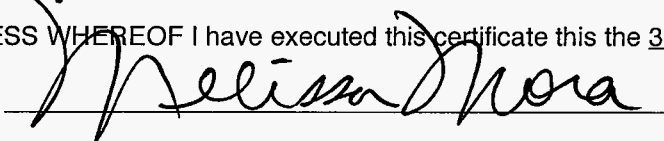
I, Melissa Mora, ☐ Bond Clerk ☒ Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 30th day of March, 2007, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007,

numbered T-1, dated March 1, 2007, and that in signing the certificate of registration I used the following signature:

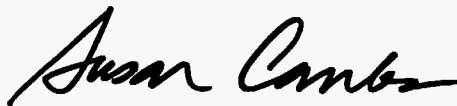


IN WITNESS WHEREOF I have executed this certificate this the 30th day of March, 2007.



I, Susan Combs, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 72656.

GIVEN under my hand and seal of office at Austin, Texas, this the 30th day of March, 2007.



SUSAN COMBS
Comptroller of Public Accounts
of the State of Texas

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, SUSAN COMBS, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

City of Helotes, Texas Combination Tax and Limited Pledge Revenue
Certificates of Obligation, Series 2007

numbered T-1, of the denomination of \$ 10,000,000, dated March 1, 2007, as authorized by issuer, interest 3.93 percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the 30th day of March, 2007, under Registration Number 72656.

Given under my hand and seal of office, at Austin, Texas, the 30th day of March, 2007.

A handwritten signature in black ink, appearing to read "Susan Combs", is positioned above the printed name and title.

SUSAN COMBS
Comptroller of Public Accounts
of the State of Texas

FULBRIGHT & JAWORSKI L.L.P.

A REGISTERED LIMITED LIABILITY PARTNERSHIP
300 CONVENT STREET, SUITE 2200
SAN ANTONIO, TEXAS 78205-3792
WWW.FULBRIGHT.COM

TELEPHONE: (210) 224-5575

FACSIMILE: (210) 270-7205

FINAL

APR 04 2007

IN REGARD to the authorization and issuance of the "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007" (the *Certificates*), dated March 1, 2007 in the aggregate principal amount of \$10,000,000, we have reviewed the legality and validity of the issuance thereof by the City of Helotes, Texas (the *City*). The *Certificates* are issuable in fully registered form only, generally in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, and have stated maturities of February 1 in each of the years 2008 through 2027. The *Certificates* are not subject to redemption prior to stated maturity. Interest on the *Certificates* accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance authorizing the issuance of the *Certificates* (the *Ordinance*).

WE HAVE SERVED AS BOND COUNSEL for the City solely to pass upon the legality and validity of the issuance of the *Certificates* under the laws of the State of Texas and with respect to the exemption of the interest on the *Certificates* from federal income taxes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City or the City's solid waste management system and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the *Certificates*.

WE HAVE EXAMINED, and in rendering the opinions herein we rely upon, original or certified copies of the proceedings of the City Council of the City in connection with the issuance of the *Certificates*, including the *Ordinance*; certificates executed by officers of the City relating to the expected use of proceeds of the *Certificates* and certain other funds of the City and to certain other facts within the knowledge and control of the City; and such other material, including an examination of the *Certificate* executed and delivered initially by the City, which we found to be in due form and properly executed, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the *Certificates* have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the *Certificates* are valid and legally binding obligations of the City enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The *Certificates* are payable from the levy of an ad valorem tax, within the limitations prescribed by law, upon all taxable property in the City and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues (as defined in the *Ordinance*), being a limited amount of the Net Revenues (as defined in the *Ordinance*) derived from the operation of the City's solid waste management system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on

Legal Opinion of Fulbright & Jaworski L.L.P. in connection with the authorization and issuance of CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007


and pledge thereof providing for the payment and security any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City has previously authorized the issuance of the Limited Pledge Obligations (as defined in the Ordinance) that are payable from a lien on and pledge of a limited amount of Net Revenues of the System as described in the ordinance authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (each as defined in the Ordinance) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance and in reliance upon the representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations.

WE CALL YOUR ATTENTION TO THE FACT THAT, interest on all tax-exempt obligations, such as the Certificates, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a mutual fund, a financial asset securitization investment trust, a real estate mortgage investment conduit, or a real estate investment trust. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.



March 8, 2007

Ms. Melissa Mora
Bond Registration Division
Comptroller of Public Accounts
Thomas Jefferson Rusk Building
208 East 10th Street, 6th Floor, Room 636
Austin, Texas 78701-2407

Re: City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates
of Obligation, Series 2007 (the "*Certificates*")

Dear Ms. Mora:

The initial Certificate prepared in connection with the captioned financing will be delivered to you by the Attorney General when approved by him. We request that you register the initial Certificate on behalf of the Issuer and, when so registered, that you mail it, along with four copies of the approving opinion of the Attorney General, together with the Comptroller's registration certificate, directly to the offices of Fulbright & Jaworski L.L.P., 300 Convent Street, Suite 2200, San Antonio, Texas 78205, Attn: W. Jeffrey Kuhn.

Thank you for your assistance in this matter.

Very truly yours,

CITY OF HELOTES, TEXAS



Mayor

March 8, 2007

Mr. Charles T. Bridgman
JPMorgan Chase Bank, N.A.
1020 Northeast Loop 410, First Floor
San Antonio, Texas 78209

Attn: Corporate Trust Department

Re: "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of
Obligation, Series 2007", dated March 1, 2007 (the *Certificates*)

Dear Mr. Bridgman:

The payment for and delivery of the Certificates to the initial purchaser is to occur at your Bank. Preliminary to the delivery of the Certificates, you will receive a single fully-registered obligation in the total principal amount of the Certificates (the *Initial Obligation*) from the firm of Fulbright & Jaworski L.L.P., 300 Convent Street, Suite 2200, San Antonio, Texas 78205, Attn: W. Jeffrey Kuhn. You are authorized to deliver the Initial Obligation to the initial purchaser thereof, or their order, upon payment being made therefor in immediately available funds in accordance with the terms of the enclosed Receipt.

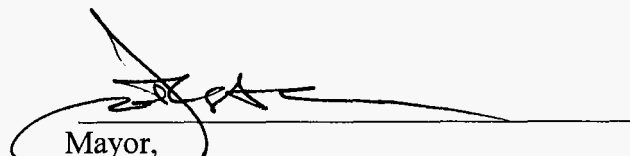
When payment for the Initial Obligation has occurred, please transmit the proceeds thereof by the fastest means available in immediately available funds to the Issuer's depository bank.

I enclose two copies of a Signature and No-Litigation Certificate, Certificate as to Tax Exemption, and Receipt, each executed and completed except as to date. When payment for the Initial Obligation is made, please date and release to the initial purchaser one copy of the Signature and No-Litigation Certificate and Certificate as to Tax Exemption, and return the remaining copies of such certificates and all copies of the Receipt to Bond Counsel at the address shown in the first paragraph of this letter.

Should any litigation having any effect upon the Initial Obligation develop prior to the time you have received payment for it, I will notify you at once by telephone or by telegraph. You may thus be assured that there is no such litigation at the time the Initial Obligation is delivered by you unless you have been advised otherwise as provided herein.

Thank you for your assistance in this matter.

Very truly yours,



Mayor,
City of Helotes, Texas

CERTIFICATE OF SECRETARY

THE STATE OF TEXAS

§

COUNTY OF BEXAR

§

CITY OF HELOTES ECONOMIC
DEVELOPMENT CORPORATION

§

§

§

THE UNDERSIGNED HEREBY CERTIFIES that:

1. On the 3rd day of March, 2007, the Board of Directors (the *Board*) of the City of Helotes Economic Development Corporation (the *Corporation*) convened in special session at its regular meeting place in the City Hall (the *Meeting*), the duly constituted members of the Board being as follows:

Ardith Garner	President
Stuart Birnbaum	Vice President
Drue Helms	Secretary
Lorraine Castillo	Member
Keith Muhlestein	Member
Cynthia Massey	Member
Manuel Longoria, Jr.	

and all of such persons were present at the Meeting, except the following: Birnbaum, Castillo, thus constituting a quorum. Among other business considered at the Meeting, the attached resolution (the *Resolution*) entitled:

RESOLUTION BY THE BOARD OF DIRECTORS OF THE CITY OF
HELOTES ECONOMIC DEVELOPMENT CORPORATION AUTHORIZING
AN INTERLOCAL COOPERATIVE AGREEMENT BETWEEN THE
CORPORATION AND THE CITY OF HELOTES, TEXAS; AND OTHER
MATTERS IN CONNECTION THEREWITH

was introduced and submitted to the Board for passage and adoption. After presentation and discussion of the Resolution, a motion was made by Member Helms that the Resolution be finally passed and adopted. The motion was seconded by Member Massey and carried by the following vote:

5 voted "For" 0 voted "Against" 0 abstained

all as shown in the official Minutes of the Board for the Meeting.

2. The attached Resolution is a true and correct copy of the original on file in the official records of the Corporation; the duly qualified and acting members of the Board of the Corporation on the date of the Meeting are those persons shown above, and, according to the records of my office, each member of the Board was given actual notice of the time, place, and

purpose of the Meeting and had actual notice that the Resolution would be considered; and the Meeting and deliberation of the aforesaid public business, including the subject of the Resolution, was posted and given in advance thereof in compliance with the provisions of Chapter 551, as amended, Texas Government Code.

IN WITNESS WHEREOF, I have signed my name officially and affixed the seal of the Corporation, this 3rd day of March, 2007.


for Secretary, Board of Directors
City of Helotes Economic Development
Corporation

(SEAL)

WAIVER OF NOTICE AND CONSENT TO SPECIAL MEETING

WE, the undersigned members of the Board of Directors of the City of Helotes Economic Development Corporation, HEREBY WAIVE NOTICE and CONSENT to the holding of a special meeting of the Board of Directors to be held on the 3rd day of March, 2007, at 10 o'clock, a.m., in the regular meeting place of the Board of Directors at the City Hall for the purpose of passing, adopting, or otherwise acting upon

RESOLUTION BY THE BOARD OF DIRECTORS OF THE CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION AUTHORIZING AN INTERLOCAL COOPERATIVE AGREEMENT BETWEEN THE CORPORATION AND THE CITY OF HELOTES, TEXAS; AND OTHER MATTERS IN CONNECTION THEREWITH

and for the purpose of acting upon such other matters as may properly come before such meeting.

SIGNED this 9 day of March, 2007.


Absent Member


Absent Member

Absent Member

Absent Member

**RESOLUTION BY THE BOARD OF DIRECTORS OF THE CITY OF
HELOTES ECONOMIC DEVELOPMENT CORPORATION
AUTHORIZING AN INTERLOCAL COOPERATIVE AGREEMENT
BETWEEN THE CORPORATION AND THE CITY OF HELOTES,
TEXAS; AND OTHER MATTERS IN CONNECTION THEREWITH**

WHEREAS, the City of Helotes, Texas (the *City*) is authorized pursuant to the provisions of Section 4B, as amended, Texas Revised Civil Statutes Annotated Article 5190.6 (the *Act*) to create a nonprofit industrial development corporation (the *Corporation*);

WHEREAS, on October 24, 2002 the City Council (the *Council*) of the City called an election concerning the levy of an additional sales and use tax for the benefit of the Corporation pursuant to the provisions of Section 4B of the Act to determine if the qualified voters of the City would approve the levy of this additional sales and use tax in the amount of one-half of one percent ($\frac{1}{2}$ of 1%) (the *Sales Tax*) within the City for the benefit of the Corporation; and

WHEREAS, this election was held on February 1, 2003 (the *Election*) and the qualified citizens of the City approved the levy of the Sales Tax; and

WHEREAS, the Council previously adopted an ordinance and a resolution approving (i) the creation of the Corporation, (ii) its articles of incorporation, and (iii) its bylaws, and levied the Sales Tax in accordance with the provisions of the Act; and

WHEREAS, the levy of the Sales Tax has been approved by the Comptroller of Public Accounts for the State of Texas (the *Comptroller*) and has been and will be collected by the Corporation in the form, time, and manner as provided in the Act and pursuant to the provisions of Chapter 321, as amended, Texas Tax Code; and

WHEREAS, the Council pursuant to an ordinance previously adopted by the Council authorized the levy of the Sales Tax;

WHEREAS, the Council and the Board of Directors (the *Board*) of the Corporation previously published a notice and conducted a public hearing in accordance with the provisions of the Act with respect to constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes (the *Projects*).

WHEREAS, the City was advised by its financial advisors, Southwest Securities, Inc., Inc., that the Projects could be financed at a lower interest cost by the City through the issuance of certificates of obligation (the *Certificates*);

WHEREAS, the City will receive the proceeds of the Certificates on or about April 4, 2007;

WHEREAS, reducing the costs relating to the Projects will benefit the Corporation and the City;

WHEREAS, the agreement attached hereto as Exhibit A is approved by the Board to provide for the transfer of funds, being a portion of the Sales Tax, by the Corporation to the City to pay a portion of the debt service requirements on the Certificates and to maintain and operate the Projects, and to pay certain other costs of the Projects;

WHEREAS, the Board hereby finds and determines the adoption of this Resolution and the execution of the agreement are in the best interests of the Corporation; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION THAT:

SECTION 1: The agreement attached hereto as Exhibit A is incorporated by reference to this Resolution for all purposes.

SECTION 2: The President, Board of Directors and the Secretary, Board of Directors of the Corporation are hereby authorized to execute and seal the agreement.

SECTION 3: The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

SECTION 4: All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

SECTION 5: This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 6: If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this Resolution would have been enacted without such invalid provision.

SECTION 7: It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 8: This Resolution shall be in force and effect from and after the date of its adoption, and it is so resolved.

PASSED AND APPROVED, this the 3rd day of March, 2007.

CITY OF HELOTES ECONOMIC
DEVELOPMENT CORPORATION



President, Board of Directors

ATTEST:

for 

Secretary, Board of Directors

(Corporation Seal)

EXHIBIT A

Interlocal Cooperative Agreement

See Tab No. 16

INTERLOCAL COOPERATIVE AGREEMENT BETWEEN CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION AND THE CITY OF HELOTES, TEXAS RELATING TO THE ANTICIPATED TRANSFER OF CERTAIN PROCEEDS OF THE SALES AND USE TAX RECEIVED BY THE CORPORATION TO THE CITY TO PROVIDE FOR THE PAYMENT OR REIMBURSEMENT OF CERTAIN COSTS RELATING TO THE CONSTRUCTION OF CERTAIN PUBLIC PROJECTS IN THE CITY; AND OTHER MATTERS IN CONNECTION THEREWITH

This agreement (the *Agreement*) is made to be effective as of the 8th day of March, 2007 by and between the City of Helotes, Texas, a duly incorporated and existing Type A general law municipality and political subdivision of the State of Texas (the *City*) and the City of Helotes Economic Development Corporation, a non-profit industrial development corporation (the *Corporation*) organized and existing under the laws of the State of Texas, including Section 4B of Texas Revised Civil Statutes Annotated Article 5190.6, as amended (the *Act*).

RECITALS

WHEREAS, on October 24, 2002 the City Council (the *Council*) of the City called an election concerning the levy of an additional sales and use tax for the benefit of the Corporation pursuant to the provisions of Section 4B of the Act to determine if the qualified voters of the City would approve the levy of this additional sales and use tax in the amount of one-half of one percent ($\frac{1}{2}$ of 1%) (the *Sales Tax*) within the City for the benefit of the Corporation; and

WHEREAS, this election was held on February 1, 2003 (the *Election*), and the qualified citizens of the City approved the levy of the Sales Tax; and

WHEREAS, the Council thereafter adopted an ordinance and a resolution approving (i) the creation of the Corporation, (ii) its articles of incorporation, and (iii) its bylaws, and levied the Sales Tax in accordance with the provisions of the Act; and

WHEREAS, the Council and the Board hereby confirm that the notice and public hearing requirements of the Act have been complied with; and

WHEREAS, the levy of the Sales Tax has been approved by the Comptroller of Public Accounts for the State of Texas (the *Comptroller*) and has been and will be collected by the Corporation in the form, time, and manner as provided in the Act and pursuant to the provisions of Chapter 321, as amended, Texas Tax Code; and

WHEREAS, the Secretary of State for the State of Texas approved the initial charter for the articles of incorporation of the Corporation; and

WHEREAS, the organizational meeting of the Corporation was previously conducted, and at such meeting the Board of Directors (the *Board*) of the Corporation approved the Corporation's articles of incorporation and bylaws, elected officers of the Corporation, and addressed various other organizational aspects of the Corporation; and

WHEREAS, the City and the Corporation hereby find and determine that constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the utility systems in the Old Town Helotes area, conceptual and implementation plan which addresses the infrastructure needs, policy issues, physical and esthetic improvements, and marketing strategy for the Old Town Helotes (the *Initial Projects*) qualify as permitted projects pursuant to Section 4B of the Act; and

WHEREAS, the City and Corporation expressly acknowledge and recognize that any Sales Tax proceeds may only be utilized to pay the "Costs" of "Projects", each as defined in the Act, including, but not limited to, the Initial Projects and subject to the limitations contained in Section 4B of the Act and the Election; and

WHEREAS, the City will own the Initial Projects and will have full responsibility for the design and construction of the Initial Projects and the Corporation shall have no duties or responsibilities with respect to the Initial Projects other than as provided in this Agreement; and

WHEREAS, under the current policies and procedures established by the Comptroller the 1% sales and use tax belonging to the City and the Sales Tax belonging to the Corporation are collected, commingled, and remitted directly to the City in undivided interests and without allocations or notations of ownership as between the City and the Corporation; and

WHEREAS, it is appropriate and necessary that the City and the Corporation adopt formal procedures by which the City's 1% sales and use tax and the Corporation's Sales Tax are collected, deposited, held, identified, allocated, and transferred to or for the benefit of the Corporation; and

WHEREAS, the City can obtain financing for the construction of the Initial Projects on more favorable terms than could the Corporation; and

WHEREAS, the City will authorize the issuance of obligations designated as "City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007", in the principal amount not to exceed \$10,000,000 (the *Certificates*) to pay for a portion of the Initial Projects and other capital infrastructure improvements in the City;

WHEREAS, this Agreement shall constitute an interlocal cooperative agreement as authorized pursuant to the provisions of Chapter 791, as amended, Texas Government Code;

WHEREAS, the adoption of this Agreement is hereby found and determined to be in the best interest of the citizens of the City and the Corporation;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1: Duties of the City. The City hereby agrees to perform the following duties:

1.1 The City will own and construct the Initial Projects and is responsible for all aspects of the construction, acquisition, design, upkeep, maintenance and operation of the Initial

Projects (subject to the provisions of the Act and the Election) and in connection therewith, the City shall comply with all applicable law relating to the construction of public works, including, without limitation, the provisions of Chapter 2253, as amended, Texas Government Code (pertaining to public works performance and payment bonds).

1.2 The City will issue the Certificates to provide the initial capital required to construct the Initial Projects and certain other capital infrastructure projects in the City. The City shall be solely responsible for making the annual payments of principal of and interest on this indebtedness pursuant to terms and conditions for the issuance of the Certificates.

1.3 Any Sales Tax proceeds transferred by the Corporation to the City shall not be pledged to pay any indebtedness of the City in accordance with the provisions of Section 321.506, as amended, Texas Tax Code. Upon receipt of any Sales Tax proceeds from the Corporation, the City may utilize any such funds for any lawful purpose in accordance with the provisions of this Agreement and applicable law.

SECTION 2: Duties of Corporation. The Corporation hereby agrees to perform the following duties:

2.1 In consideration of the City's agreement to undertake the actions set forth in Section 1 hereof, the Corporation shall transfer on an annual basis lawfully available Sales Tax proceeds to the City to pay a portion of the debt service requirements on the Certificates that are scheduled to be sold on March 8, 2007 and delivered on April 4, 2007, upon a determination by the Board of Directors of the Corporation that any and all financial obligations of the Corporation for the then current fiscal year of the Corporation have been provided for or otherwise satisfied. These obligations include, but are not limited to, the payment of all of the Corporation's administrative expenses, the payment of all debt service requirements on any indebtedness issued by the Corporation, and the funding of all debt service reserve or other funds created in any resolution authorizing the issuance of any indebtedness by the Corporation. Accordingly, any transfer of Sales Tax proceeds to the City by the Corporation shall be at the sole discretion of the Board of Directors of the Corporation and shall only constitute the transfer of surplus Sales Tax Proceeds. These findings must be confirmed by the Board of Directors of the Corporation prior to the transfer of any Sales Tax proceeds to the City. The Corporation expects to be obligated to pay the City for the debt service requirements representing a principal amount of \$4,000,000 and interest accruing thereon as set forth in Exhibit A hereto. To the extent that the Corporation does not receive \$4,000,000 from the sale of the Certificates then Exhibit A shall be amended by the Council and the Board to accurately reflect the Corporation's financial obligations to the City.

SECTION 3: Limitation on Use of Sales Tax Proceeds. The City and the Corporation expressly recognize and covenant that any Sales Tax proceeds transferred to the City by the Corporation may only be expended to construct Projects, including the Initial Projects, or to reimburse the City for the construction costs relating to any such Projects, including the Initial Projects all as provided in the Act and applicable law.

SECTION 4: Amendments and Modifications. This Agreement shall be binding upon the City and the Corporation and their respective successors and legal representatives and shall inure solely to the benefit of the City and Corporation and their respective successors and legal representatives. Furthermore, no alteration, amendment, or modification of any provision of this

Agreement shall be effective unless (1) prior written consent of such alteration, amendment, or modification shall have been obtained from the parties hereto, and (2) such alteration, amendment, or modification is in writing and signed by the parties hereto. The City and the Corporation may amend this Agreement to address the construction or financing of other Projects (other than the Initial Projects) upon compliance with the provisions of the Act and with applicable law.

SECTION 5: Collection and Transfer of Undivided Sales Tax Receipts. The City hereby requires and orders that all remittances of commingled sales and use tax collections belonging to the City and the Corporation in undivided interests (the *Undivided Sales Tax Receipts*) shall be deposited as received, or transmitted by the Comptroller directly, to the depository account of the City held and maintained by the City at its official depository bank (the *Depository Bank*) designated from time to time by the Council, or as otherwise directed by the City, and the City shall request the Comptroller to transmit such funds by the earliest available and feasible means under the policies of the Comptroller in effect from time to time. The City expressly reserves the right (i) to direct the Comptroller to deposit these funds with an institution other than the Depository Bank and (ii) to invest these funds in accordance with the laws of the State of Texas.

Immediately upon receipt of the Undivided Sales Tax Receipts from the Comptroller, the City Administrator, or her designee, shall determine the share of the Undivided Sales Tax Receipts belonging to the Corporation, in accordance with Section 4B of the Act. Such person shall, as soon as possible thereafter, deposit a check drawn on the City's account (or otherwise transfer from such account) to the account of the Corporation at its depository financial institution representing the Corporation's share of the Undivided Sales Tax Receipts. The City shall maintain internal records to document all such transfers of the Corporation's share of the Undivided Sales Tax Receipts.

The Depository Bank shall not have any responsibility to verify or determine the accuracy of the amounts certified to it from time to time according to this Section.

SECTION 6: Receipt and Transfer of Proceeds of Sales Tax. The Corporation agrees, in cooperation with the City, to take such actions as are required to cause the Sales Tax proceeds received from the Comptroller for and on behalf of the Corporation to be transferred and deposited immediately upon receipt by the Corporation to the credit of the banking or monetary fund maintained at the depository designated by the Corporation.

SECTION 7: Acceptance of Depository Responsibilities. The City Administrator is authorized and directed to develop procedures pursuant to which the requirements of this Agreement are met, including the incorporation of this Agreement by the City into and as part of the bidding procedures by which the City designates and selects its Depository Bank or Banks from time to time.

Each Depository Bank, by its acceptance of its designation as depository of the City, agrees to abide by the terms and provisions of this Agreement.

All reasonable costs, if any, of the Depository Bank associated with the administration of the terms and provisions of this Agreement shall be paid for by the Corporation as an administrative expense under this Agreement and shall be paid by the Corporation upon receipt

of statements therefor from the Depository Bank. Such costs, if any, shall never constitute a cost, liability, or obligation of the City.

SECTION 8: Recognition of Tax Exempt Financing. The Corporation hereby acknowledges and recognizes that the Certificates are being issued as "state or local bonds" under and pursuant to section 103(a) of the Internal Revenue Code of 1986, as amended, and the Corporation hereby covenants and agrees with respect to the use of proceeds of sale of the Certificates and the use of the Projects as follows:

(a) Definitions. When used in this Section, the following terms have the following meanings:

"*Closing Date*" means the date on which the Certificates are first authenticated and delivered to the initial purchasers against payment therefor.

"*Code*" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"*Computation Date*" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"*Gross Proceeds*" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Certificates.

"*Investment*" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"*Nonpurpose Investment*" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Certificates are invested and which is not acquired to carry out the governmental purposes of the Certificates.

"*Rebate Amount*" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"*Regulations*" means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Certificates. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"*Yield*" of (i) any Investment has the meaning set forth in Section 1.148-5 of the Regulations and (ii) the Certificates has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The Corporation shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any

Certificate to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Corporation receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Certificate, the Corporation shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Certificates:

(i) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Certificates to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Corporation shall not at any time prior to the final Stated Maturity of the Certificates directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Certificates.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the Corporation shall not take or omit to take any action which would cause the Certificates to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Payment of Rebatable Arbitrage. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(i) The Corporation shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding Certificate is discharged. However, to the extent permitted by law, the Corporation may commingle Gross Proceeds of the Certificates with other money of the Corporation, provided that the Corporation separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Corporation shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The Corporation shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

(iii) As additional consideration for the purchase of the Certificates by the Purchasers and the use of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the Corporation shall remit to the Corporation for payment to the United States the amount described in paragraph (g)(ii) above and the amount described in paragraph (g)(iv) below, at the times, in the manner and accompanied by such forms or other information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(iv) The Corporation shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraph (g)(ii), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including the amount remitted to the Corporation for payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

SECTION 9: Default. In the event that either the Corporation or the City should violate any of the terms of this Agreement, the other party shall promptly notify the other respective party of the violation. In the event this violation is not cured within thirty (30) days after the sending of such notice, the party sending the notice may at its discretion notify the other party of its intention to declare this Agreement forfeited and null and void. Upon such notice, the

delinquent party shall have thirty (30) days to cure this violation prior to final action by the other party declaring this Agreement forfeited and null and void.

SECTION 10: Miscellaneous; Assignment. All the situations, promises, undertaking and agreements herein contained by or on behalf of either the Corporation or the City shall bind the successors and assigns of either party, whether so expressed or not but neither the Corporation nor the City shall have the right to assign this Agreement, or any part thereof except as hereinafter provided without the written consent of the other party. Either party may waive any default on the part of the opposite affecting any other provision of this Agreement; and a waiver of any one default shall not be deemed a waiver of any other or subsequent default or defaults. No delay by either party in enforcing any of its rights under this Agreement shall be deemed a waiver of such rights.

SECTION 11: Approval and Consent. Unless otherwise provided herein, any approval or consent required by the provisions of this Agreement by the City or the Corporation shall be evidenced by a written resolution adopted by the governing body of the party giving such approval or consent. Upon receipt of such written resolution duly certified by the appropriate party, the City or the Corporation can conclusively act on the matter requiring such approval.

SECTION 12: Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties hereto shall, until changed as hereinafter provided, be as follows:

A. If to the City, to:

City of Helotes, Texas
12951 Bandera Road
Helotes, Texas 78023
Attention: City Administrator

B. If to the Corporation, to:

City of Helotes Economic Development Corporation
12951 Bandera Road
Helotes, Texas 78023
Attention: President, Board of Directors

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least ten (10) days' written notice to the other parties hereto.

SECTION 13: Covenants. The City and the Corporation covenant that they will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Agreement. The City and the Corporation covenant that they are duly authorized under the laws of the State of Texas to execute and deliver this Agreement, that all actions on their part as provided herein and the execution and delivery of this Agreement have been duly and effectively taken according to the import thereof as provided in this Agreement.

SECTION 14: Venue. Any damages for the breach of this Agreement shall be paid and be due in Bexar County, Texas, which is the County in which the principal administrative offices of the City and the Corporation are located. It is specifically agreed among the parties to this Agreement that Bexar County, Texas, is the place of performance of this Agreement; and in the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Bexar County, Texas.

SECTION 15: Legal Fees. In the event it is necessary for either party to commence legal action of any kind to enforce its rights hereunder, the prevailing party in such litigation shall be entitled to collect all court costs and reasonable attorney's fees and expenses incurred in connection therewith.

SECTION 16: Force Majeure. In the event that either party shall be entirely prevented from completing performance of its obligations hereunder by an act of God or any other occurrence whatsoever which is beyond the control of such party, then such party shall be excused from any further performance of its obligations and undertakings hereunder. In the event that the performance of either party of any obligations or undertakings hereunder shall be interrupted or delayed by any occurrence and not occasioned by the conduct of either party hereto, whether such occurrence be an act of God or the common enemy or the result of war, riot, civil commotion, sovereign conduct, or the act or conduct of any person or persons not party or privy hereto, then he shall be excused from such performance for such period of time as is reasonably necessary after such occurrence to remedy the effects thereof.

SECTION 17: Holiday. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, is not a business day, such payment may be made or act performed or right exercised on the next succeeding business day with the same force and effect as if done on the date provided therefor herein.

SECTION 18: Counterparts. This Agreement may be executed in any number of counterparts, each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

SECTION 19: Entire Agreement. This Agreement contains the entire agreement between the parties pertaining to the subject matter hereof and fully supersedes all prior agreements and understandings between the parties pertaining to such subject matter.

SECTION 20: Captions. The section headings appearing in this Agreement are for convenience of reference only and are not intended, to any extent and for any purpose, to limit or define the text of any section or any subsection hereof.

SECTION 21: Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Agreement for all purposes and are adopted as a part of the judgment and findings of the Council and the Board of Directors of the Corporation.

SECTION 22: Inconsistent Provisions. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Agreement are hereby repealed to the extent of such conflict, and the provisions of this Agreement shall be and remain controlling as to the matters provided herein.

SECTION 23: Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 24: Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Agreement and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Corporation and the City hereby declare that this Agreement would have been enacted without such invalid provision.


SECTION 25: Construction. Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Agreement and all the terms and provisions hereof shall be constructed to effectuate the purposes set forth herein and to sustain the validity of this Agreement.

SECTION 26: Compliance with Texas Open Meetings Act. It is officially found, determined, and declared that the meeting of each of the City and the Corporation at which this Agreement is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Agreement, was given, all as required by Chapter 551, as amended, Texas Government Code.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the date and year first above written.

CITY OF HELOTES ECONOMIC
DEVELOPMENT CORPORATION



President, Board of Directors

ATTEST:



for Secretary, Board of Directors

(Corporation Seal)

CITY OF HELOTES, TEXAS



Mayor

ATTEST:



City Secretary

(City Seal)

EXHIBIT A

Corporation's portion of the Debt Service Requirements on the Certificates

DETAILED BOND DEBT SERVICE

City of Helotes, Texas
Certificates of Obligation, Series 2007
Exhibit 'A'

Sales Tax Portion (CIB2)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
04/04/2007					
02/01/2008	60,000	3.930%	129,690.00	189,690.00	
08/01/2008			77,421.00	77,421.00	
09/30/2008					267,111.00
02/01/2009	140,000	3.930%	77,421.00	217,421.00	
08/01/2009			74,670.00	74,670.00	
09/30/2009					292,091.00
02/01/2010	145,000	3.930%	74,670.00	219,670.00	
08/01/2010			71,820.75	71,820.75	
09/30/2010					291,490.75
02/01/2011	150,000	3.930%	71,820.75	221,820.75	
08/01/2011			68,873.25	68,873.25	
09/30/2011					290,694.00
02/01/2012	155,000	3.930%	68,873.25	223,873.25	
08/01/2012			65,827.50	65,827.50	
09/30/2012					289,700.75
02/01/2013	165,000	3.930%	65,827.50	230,827.50	
08/01/2013			62,585.25	62,585.25	
09/30/2013					293,412.75
02/01/2014	170,000	3.930%	62,585.25	232,585.25	
08/01/2014			59,244.75	59,244.75	
09/30/2014					291,830.00
02/01/2015	180,000	3.930%	59,244.75	239,244.75	
08/01/2015			55,707.75	55,707.75	
09/30/2015					294,952.50
02/01/2016	185,000	3.930%	55,707.75	240,707.75	
08/01/2016			52,072.50	52,072.50	
09/30/2016					292,780.25
02/01/2017	195,000	3.930%	52,072.50	247,072.50	
08/01/2017			48,240.75	48,240.75	
09/30/2017					295,313.25
02/01/2018	200,000	3.930%	48,240.75	248,240.75	
08/01/2018			44,310.75	44,310.75	
09/30/2018					292,551.50
02/01/2019	210,000	3.930%	44,310.75	254,310.75	
08/01/2019			40,184.25	40,184.25	
09/30/2019					294,495.00
02/01/2020	220,000	3.930%	40,184.25	260,184.25	
08/01/2020			35,861.25	35,861.25	
09/30/2020					296,045.50
02/01/2021	230,000	3.930%	35,861.25	265,861.25	
08/01/2021			31,341.75	31,341.75	
09/30/2021					297,203.00
02/01/2022	240,000	3.930%	31,341.75	271,341.75	
08/01/2022			26,625.75	26,625.75	
09/30/2022					297,967.50
02/01/2023	250,000	3.930%	26,625.75	276,625.75	
08/01/2023			21,713.25	21,713.25	
09/30/2023					298,339.00
02/01/2024	260,000	3.930%	21,713.25	281,713.25	
08/01/2024			16,604.25	16,604.25	
09/30/2024					298,317.50
02/01/2025	270,000	3.930%	16,604.25	286,604.25	
08/01/2025			11,298.75	11,298.75	
09/30/2025					297,903.00
02/01/2026	280,000	3.930%	11,298.75	291,298.75	

DETAILED BOND DEBT SERVICE

City of Helotes, Texas
 Certificates of Obligation, Series 2007
 Exhibit 'A'

Sales Tax Portion (CIB2)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2026			5,796.75	5,796.75	
09/30/2026					297,095.50
02/01/2027	295,000	3.930%	5,796.75	300,796.75	
09/30/2027					300,796.75
	4,000,000		1,870,090.50	5,870,090.50	5,870,090.50

EXHIBIT B

Prioritization, Description, and Estimated Cost of Old Town Helotes Capital Projects

<u>Project Title</u>	<u>Project Description</u>	<u>Cost</u>
Tier One:		
Water Line	A 12-inch water line will be installed along Old Bandera Road and Riggs Road, from the Helotes Elementary School to Antonio Drive.	\$1,100,000
Primary, Secondary, and Northern Gateways	<p>Establish primary gateways at the intersection of Highway 16 and Scenic Loop Drive and at the southern intersection of Old Bandera and Highway 16.</p> <p>Create secondary gateways at Floore Drive and Highway 16, at Old Bandera and Riggs Roads, adjacent to the Helotes Elementary School on Riggs Road, and at the northern intersection of Highway 16 and Old Bandera.</p>	\$435,000
Streetscaping within the Mixed-Use Village Area	<p>Implement streetscape concepts A-C along both sides of Old Bandera Road from the intersection at Scenic Loop Drive to the southern intersection with Highway 16.</p> <p>Implementation of street lighting, upgraded pedestrian crossings, drinking fountains, bike racks, and a bridge over Helotes Creek are also suggested.</p>	\$1,130,000
Streetscaping on Riggs Road to the Helotes Elementary School	<p>Implement streetscape concepts A-C along both sides of Riggs Road from the intersection at Old Bandera Road to the Helotes Elementary School.</p> <p>Implementation of street lighting, upgraded pedestrian crossings, drinking fountains, and bike racks along Riggs Road are also suggested.</p>	\$410,000
Wayfinding within the Mixed-Use Village Area	Install level III and IV signage throughout the Mixed-Use Village area.	\$15,000
Additional Parking Improvements within the Mixed-Use Village Area	Establish a public shared parking facility south of the southern intersection of Old Bandera Road and Highway 16, as shown in the Illustrative Plan Diagram in Attachment G.	\$155,000
Parking Improvements within the Mixed-Use Village Area	Establish public shared parking facilities north of Helotes Creek and a temporary gravel lot at the southern intersection of Old Bandera Road and Highway 16 as shown in the Illustrative Plan Diagrams in Attachments G and H.	\$250,000
	Total:	\$3,495,000
Option	Establish public shared parking facilities within and outside the Mixed-Use Village area.	\$505,000
	Total (including Option):	\$4,000,000

EXHIBIT C

Description and Estimated Cost of Remaining Old Town Helotes Capital Projects

<u>Project Title</u>	<u>Project Description</u>	<u>Cost</u>
Tier Two:		
Streetscaping in the Transition Area	Extend streetscaping along Old Bandera Road north of Scenic Loop Drive to the gateway at Highway 16.	\$170,000
Streetscaping along Riggs Road	Extend less intensive streetscaping, including a path/sidewalk and intermittent lighting, south along Riggs Road from the Helotes Elementary School to Galm Road.	\$250,000
Wayfinding Outside of the Mixed-Use Village Area	Install level II-IV signage in the Transition Area, Commercial Village, and along the southern portion of Riggs Road.	\$20,000
South Gateway Opportunity Site	Include upgrades to the parking lot at the southern intersection of Highway 16 and Old Bandera Road to allow it to function as a "festival lot." Development of the information center just north of the festival lot will help the site serve as a major gateway to Old Town.	\$1,300,000
Highway 16 Pedestrian Underpass	Construct a pedestrian underpass at or near Helotes Creek to provide a direct pedestrian and bicycle connection between Old Town and the Commercial Village.	\$945,000
	Total:	\$2,685,000
Tier Three:		
Capital Improvements on Highway 16	Coordinate with the Texas Department of Transportation and private property owners to implement streetscaping and other aesthetic and pedestrian upgrades along Highway 16.	*\$1,050,000
Additional Parking Improvements	Provide additional parking in the Old Town area, as needed. Appropriate locations for additional public parking facilities include the area south of Helotes Elementary School and just north of the Northern Gateway intersection.	\$260,000
Creek Path	Establish a path along Helotes Creek from the Commercial Village area across Highway 16 (at street grade), over the pedestrian bridge, through Old Town Park, and onward to the Helotes Elementary School.	\$160,000
Old Town Park	Acquire and upgrade property for a community park in Old Town. Upgrades could include a public rest room with a shaded gathering area, a bandshell gazebo, a small playground area, or improvements to allow the park to serve as an additional space for public events.	\$300,000
Park Improvements East of Highway 16	Extend Old Town Park along Helotes Creek to the east side of Highway 16.	No cost reported
	Total:	\$1,770,000
	Grand Total:	\$7,950,000

* Does not assume TxDOT funding or improvements made by private developers



CLOSING MEMORANDUM

**\$10,000,000
CITY OF HELOTES, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2007 (THE "CERTIFICATES")**

Date: March 29, 2007
To: Attached Distribution List
From: Mark M. McLiney
Southwest Securities
(210) 226-8677

1. The above-referenced Certificates are scheduled to close on Wednesday, April 4, 2007 at 10:00 A.M., Central Time. A debt service schedule is attached as Exhibit "A".
2. **JPMorgan Chase Bank, N.A.** (the "**Purchaser**") will purchase the Certificates for \$10,000,000. There will be no accrued interest.
3. Disbursement of Funds:

A. **JPMorgan Chase Bank, N.A.**, also serving as the paying agent/registrar (the "**Paying Agent/Registrar**") shall wire \$9,904,244 to the City of Helotes, Texas (the "**City**") for deposit at **Sterling Bank** (the City's "**Depository Bank**"), ABA# 113005549, Account # 3115024820, Account Name: City of Helotes Certificates of Obligation, Attn: Carlin Friar (210) 277-3240.

B. The **Paying Agent** shall wire \$95,756 to Southwest Securities for the fees and expenses associated with the Legal Authorization and Issuance of the Certificates to JPMorgan Chase Bank, Houston, Texas, ABA #021000021, for credit to Southwest Securities, Account #08805076955, for final credit to City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007, (94-9030-119231), Attention: Angela Irvine, (214) 859-6353.

4. Reconciliation of Funds is as follows:

Receipts

Par Amount of the Certificates	<u>\$10,000,000</u>
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Total Receipts	<u>\$10,000,000</u>
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Disbursement of Funds

City's Depository Bank	\$9,904,244
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Costs of Issuance, Certificates of Obligation	\$85,756
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Legal Fees, Economic Development Corporation	<u>\$10,000</u>
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Total Costs of Issuance	<u>\$95,756</u>
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Total Disbursement	<u>\$10,000,000</u>
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Note: At the current split of \$6,000,000 for Police and Fire and \$4,000,000 for the Old Town Helotes Project, the amount to each account of the expenses shall be:

Police and Fire	\$6,000,0000
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Less: 60% of Costs of Issuance	<u>(\$51,454)</u>
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Total Police and Fire	<u>\$5,948,546</u>
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Old Town Helotes (EDC)	\$4,000,000
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Less: 40% Costs of Issuance	<u>(\$34,302)</u>
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Less: EDC Legal Expenses	<u>(\$10,000)</u>
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Total EDC	<u>\$3,955,698</u>
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If there are any questions, please feel free to call me at (210) 226-8677.

\$10,000,000
CITY OF HELOTES, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF
OBLIGATION, SERIES 2007

DISTRIBUTION LIST

Issuer

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Rick Schroeder, Economic Development Specialist
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March 29, 2007

Susan Wootton, Treasurer
Rick Schroeder, Economic Development Specialist
City of Helotes
12951 Bandera Road
P.O. Box 507
Helotes, Texas 78023-0507

STATEMENT

For services rendered in connection with the legal authorization and issuance of **\$10,000,000 City of Helotes, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007**

Financial Advisory Fees and Expenses	\$50,256
Bond Counsel Fees and Expenses	\$23,500
Attorney General of State of Texas Fee	\$9,500
Purchaser's Counsel	<u>\$2,500</u>
Total Fees for Certificates of Obligation	<u>\$85,756</u>
 Legal Fees for EDC Only	 <u>\$10,000</u>
 Total Fees	 <u>\$95,756</u>

MMMc/rbc

BOND DEBT SERVICE

City of Helotes, Texas
Certificates of Obligation, Series 2007
Exhibit 'A'

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
04/04/2007					
02/01/2008	180,000	3.930%	324,225.00	504,225.00	
08/01/2008			192,963.00	192,963.00	
09/30/2008					697,188.00
02/01/2009	350,000	3.930%	192,963.00	542,963.00	
08/01/2009			186,085.50	186,085.50	
09/30/2009					729,048.50
02/01/2010	360,000	3.930%	186,085.50	546,085.50	
08/01/2010			179,011.50	179,011.50	
09/30/2010					725,097.00
02/01/2011	375,000	3.930%	179,011.50	554,011.50	
08/01/2011			171,642.75	171,642.75	
09/30/2011					725,654.25
02/01/2012	390,000	3.930%	171,642.75	561,642.75	
08/01/2012			163,979.25	163,979.25	
09/30/2012					725,622.00
02/01/2013	410,000	3.930%	163,979.25	573,979.25	
08/01/2013			155,922.75	155,922.75	
09/30/2013					729,902.00
02/01/2014	425,000	3.930%	155,922.75	580,922.75	
08/01/2014			147,571.50	147,571.50	
09/30/2014					728,494.25
02/01/2015	445,000	3.930%	147,571.50	592,571.50	
08/01/2015			138,827.25	138,827.25	
09/30/2015					731,398.75
02/01/2016	465,000	3.930%	138,827.25	603,827.25	
08/01/2016			129,690.00	129,690.00	
09/30/2016					733,517.25
02/01/2017	485,000	3.930%	129,690.00	614,690.00	
08/01/2017			120,159.75	120,159.75	
09/30/2017					734,849.75
02/01/2018	500,000	3.930%	120,159.75	620,159.75	
08/01/2018			110,334.75	110,334.75	
09/30/2018					730,494.50
02/01/2019	525,000	3.930%	110,334.75	635,334.75	
08/01/2019			100,018.50	100,018.50	
09/30/2019					735,353.25
02/01/2020	550,000	3.930%	100,018.50	650,018.50	
08/01/2020			89,211.00	89,211.00	
09/30/2020					739,229.50
02/01/2021	570,000	3.930%	89,211.00	659,211.00	
08/01/2021			78,010.50	78,010.50	
09/30/2021					737,221.50
02/01/2022	595,000	3.930%	78,010.50	673,010.50	
08/01/2022			66,318.75	66,318.75	
09/30/2022					739,329.25
02/01/2023	620,000	3.930%	66,318.75	686,318.75	
08/01/2023			54,135.75	54,135.75	
09/30/2023					740,454.50
02/01/2024	645,000	3.930%	54,135.75	699,135.75	
08/01/2024			41,461.50	41,461.50	
09/30/2024					740,597.25
02/01/2025	675,000	3.930%	41,461.50	716,461.50	
08/01/2025			28,197.75	28,197.75	
09/30/2025					744,659.25
02/01/2026	700,000	3.930%	28,197.75	728,197.75	
08/01/2026			14,442.75	14,442.75	
09/30/2026					742,640.50
02/01/2027	735,000	3.930%	14,442.75	749,442.75	
09/30/2027					749,442.75
	10,000,000		4,660,194.00	14,660,194.00	14,660,194.00

DETAILED BOND DEBT SERVICE

City of Helotes, Texas
Certificates of Obligation, Series 2007
Exhibit 'A'

General Fund Portion (CIB1)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
04/04/2007					
02/01/2008	120,000	3.930%	194,535.00	314,535.00	
08/01/2008			115,542.00	115,542.00	
09/30/2008					430,077.00
02/01/2009	210,000	3.930%	115,542.00	325,542.00	
08/01/2009			111,415.50	111,415.50	
09/30/2009					436,957.50
02/01/2010	215,000	3.930%	111,415.50	326,415.50	
08/01/2010			107,190.75	107,190.75	
09/30/2010					433,606.25
02/01/2011	225,000	3.930%	107,190.75	332,190.75	
08/01/2011			102,769.50	102,769.50	
09/30/2011					434,960.25
02/01/2012	235,000	3.930%	102,769.50	337,769.50	
08/01/2012			98,151.75	98,151.75	
09/30/2012					435,921.25
02/01/2013	245,000	3.930%	98,151.75	343,151.75	
08/01/2013			93,337.50	93,337.50	
09/30/2013					436,489.25
02/01/2014	255,000	3.930%	93,337.50	348,337.50	
08/01/2014			88,326.75	88,326.75	
09/30/2014					436,664.25
02/01/2015	265,000	3.930%	88,326.75	353,326.75	
08/01/2015			83,119.50	83,119.50	
09/30/2015					436,446.25
02/01/2016	280,000	3.930%	83,119.50	363,119.50	
08/01/2016			77,617.50	77,617.50	
09/30/2016					440,737.00
02/01/2017	290,000	3.930%	77,617.50	367,617.50	
08/01/2017			71,919.00	71,919.00	
09/30/2017					439,536.50
02/01/2018	300,000	3.930%	71,919.00	371,919.00	
08/01/2018			66,024.00	66,024.00	
09/30/2018					437,943.00
02/01/2019	315,000	3.930%	66,024.00	381,024.00	
08/01/2019			59,834.25	59,834.25	
09/30/2019					440,858.25
02/01/2020	330,000	3.930%	59,834.25	389,834.25	
08/01/2020			53,349.75	53,349.75	
09/30/2020					443,184.00
02/01/2021	340,000	3.930%	53,349.75	393,349.75	
08/01/2021			46,668.75	46,668.75	
09/30/2021					440,018.50
02/01/2022	355,000	3.930%	46,668.75	401,668.75	
08/01/2022			39,693.00	39,693.00	
09/30/2022					441,361.75
02/01/2023	370,000	3.930%	39,693.00	409,693.00	
08/01/2023			32,422.50	32,422.50	
09/30/2023					442,115.50
02/01/2024	385,000	3.930%	32,422.50	417,422.50	
08/01/2024			24,857.25	24,857.25	
09/30/2024					442,279.75
02/01/2025	405,000	3.930%	24,857.25	429,857.25	
08/01/2025			16,899.00	16,899.00	
09/30/2025					446,756.25
02/01/2026	420,000	3.930%	16,899.00	436,899.00	

DETAILED BOND DEBT SERVICE

City of Helotes, Texas
Certificates of Obligation, Series 2007
Exhibit 'A'

General Fund Portion (CIB1)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2026			8,646.00	8,646.00	
09/30/2026					445,545.00
02/01/2027	440,000	3.930%	8,646.00	448,646.00	
09/30/2027					448,646.00
	6,000,000		2,790,103.50	8,790,103.50	8,790,103.50

DETAILED BOND DEBT SERVICE

City of Helotes, Texas
Certificates of Obligation, Series 2007
Exhibit 'A'

Sales Tax Portion (CIB2)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
04/04/2007					
02/01/2008	60,000	3.930%	129,690.00	189,690.00	
08/01/2008			77,421.00	77,421.00	
09/30/2008					267,111.00
02/01/2009	140,000	3.930%	77,421.00	217,421.00	
08/01/2009			74,670.00	74,670.00	
09/30/2009					292,091.00
02/01/2010	145,000	3.930%	74,670.00	219,670.00	
08/01/2010			71,820.75	71,820.75	
09/30/2010					291,490.75
02/01/2011	150,000	3.930%	71,820.75	221,820.75	
08/01/2011			68,873.25	68,873.25	
09/30/2011					290,694.00
02/01/2012	155,000	3.930%	68,873.25	223,873.25	
08/01/2012			65,827.50	65,827.50	
09/30/2012					289,700.75
02/01/2013	165,000	3.930%	65,827.50	230,827.50	
08/01/2013			62,585.25	62,585.25	
09/30/2013					293,412.75
02/01/2014	170,000	3.930%	62,585.25	232,585.25	
08/01/2014			59,244.75	59,244.75	
09/30/2014					291,830.00
02/01/2015	180,000	3.930%	59,244.75	239,244.75	
08/01/2015			55,707.75	55,707.75	
09/30/2015					294,952.50
02/01/2016	185,000	3.930%	55,707.75	240,707.75	
08/01/2016			52,072.50	52,072.50	
09/30/2016					292,780.25
02/01/2017	195,000	3.930%	52,072.50	247,072.50	
08/01/2017			48,240.75	48,240.75	
09/30/2017					295,313.25
02/01/2018	200,000	3.930%	48,240.75	248,240.75	
08/01/2018			44,310.75	44,310.75	
09/30/2018					292,551.50
02/01/2019	210,000	3.930%	44,310.75	254,310.75	
08/01/2019			40,184.25	40,184.25	
09/30/2019					294,495.00
02/01/2020	220,000	3.930%	40,184.25	260,184.25	
08/01/2020			35,861.25	35,861.25	
09/30/2020					296,045.50
02/01/2021	230,000	3.930%	35,861.25	265,861.25	
08/01/2021			31,341.75	31,341.75	
09/30/2021					297,203.00
02/01/2022	240,000	3.930%	31,341.75	271,341.75	
08/01/2022			26,625.75	26,625.75	
09/30/2022					297,967.50
02/01/2023	250,000	3.930%	26,625.75	276,625.75	
08/01/2023			21,713.25	21,713.25	
09/30/2023					298,339.00
02/01/2024	260,000	3.930%	21,713.25	281,713.25	
08/01/2024			16,604.25	16,604.25	
09/30/2024					298,317.50
02/01/2025	270,000	3.930%	16,604.25	286,604.25	
08/01/2025			11,298.75	11,298.75	
09/30/2025					297,903.00
02/01/2026	280,000	3.930%	11,298.75	291,298.75	

DETAILED BOND DEBT SERVICE

City of Helotes, Texas
Certificates of Obligation, Series 2007
Exhibit 'A'

Sales Tax Portion (CIB2)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2026			5,796.75	5,796.75	
09/30/2026					297,095.50
02/01/2027	295,000	3.930%	5,796.75	300,796.75	
09/30/2027					300,796.75
	4,000,000		1,870,090.50	5,870,090.50	5,870,090.50

RECEIPT

THE STATE OF TEXAS

§

COUNTY OF BEXAR

§

CITY OF HELOTES

§

§

§

THE UNDERSIGNED HEREBY CERTIFIES that:

1. This receipt is executed and delivered with respect to the "CITY OF HELOTES, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2007", dated March 1, 2007, in the aggregate principal amount of \$10,000,000 (the *Certificates*). The issuer of the Certificates is the City Council of the City of Helotes, Texas (the *City*).

2. On the date shown hereof, the Certificates were delivered to the initial purchaser:

JPMorgan Chase Bank, National Association


3. All of the Certificates have been paid for in full by the initial purchasers concurrently with the delivery of this receipt, and the City has received the agreed purchase price for the Certificates, as follows:

Principal Amount.....	\$10,000,000
Accrued Interest.....	<u>0</u>
Total Amount Received.....	\$10,000,000

4. The undersigned has executed this receipt in the capacity hereinafter shown for and on behalf of the City.

EXECUTED AND DELIVERED, this

APR 04 2007



Mayor
City of Helotes, Texas